



May 2013

KOGA Committee Tackles EPA Storage Vessel Regulations Rudy Vogt, KOGA Technical & Regulatory Committee Chairman

One of the most important benefits of KOGA membership is its help in keeping small operators on top of what's going on at the EPA and giving us a voice when they're planning to put new regulations on the industry. Let's face it, most of us are too busy with the day-to-day of our businesses to monitor when the EPA releases new rules and regulations. We expect KOGA to be on top of it and to get our Technical and Regulatory committee charged up when it's time to go to work.

That's exactly what happened when the EPA proposed to update its 2012 VOC performance standards at the beginning of April. The new rulemaking was generally a welcome development in that the EPA had missed the mark pretty bad during the first go around. However, while the EPA was making a good faith effort to diminish the impact these new rules will have on the industry, the proposal needs serious revision. KOGA stepped up to the plate to be our voice in front of the EPA.

The regulations are directed at volatile organic compound ("VOCs") emissions at stationary storage vessels. Any storage vessel with more than 6 tons-per-year ("tpy") of VOC emissions will require vapor recovery controls. Our committee estimated the cost of compliance will be over \$60,000 per affected vessel. This will be a big hit to small operators!

Furthermore, the EPA is proposing that operators estimate the annual VOC emissions within 30 days after startup. This doesn't take into account that production will decrease over time and that there will be seasonal variations in VOC emissions.

KOGA proposed that the EPA adopt a "rolling monthly average" over twelve months (which would encompass a complete climatic cycle) for an operator to

KOGA's Mission is aligning and coalescing industry stakeholders to influence public policy and shape attitudes which materially impact Kentucky's Oil & Gas industry. It achieves its mission through legislative advocacy, business networking and strategic communications.

determine whether a vessel requires controls. If, after that 12 month period, an operator determines a storage vessel will require controls, the EPA should allow 90 days for the operator to inform the EPA and an additional 90 days to have the control equipment installed. This proposed change allows for two things: 1) Grants operators the chance to accurately determine if controls are required prior to making a major investment for controlling VOC emissions and 2) if emission controls are required, 90 days to inform the EPA and additional 90 days to have the controls installed, will give small operators the time they'll need to procure services and equipment.

Another key issue KOGA focused on was how to calculate whether a storage vessel is exceeding the 6 tpy limit. The EPA didn't give any guidance on what acceptable methodologies an operator could use to determine whether controls were required. We felt that throughput was a simple and clear way to approach the issue. We proposed that the EPA should allow operators to conclude that a storage vessel will remain under 6 tpy of VOC emissions if the throughput was less than 20 bbl/day. We also requested that the EPA put forward some compliance assistance programs and materials to help small operators get their arms around what exactly is getting ready to happen.

It's hard to know whether the EPA will listen to our recommendations. But we did have a place at the table. By coming together through KOGA, small operators have a voice. We'll continue to monitor what's coming out of the EPA and other regulatory agencies and will continue to make sure that they know how their decisions will impact our industry.

Feel free to contact the KOGA office for information on this rule and KOGA's response. The EPA website for the rulemaking can be found at:

<http://www.epa.gov/airquality/oilandgas/actions.html#apr13>

KOGA's Mission is aligning and coalescing industry stakeholders to influence public policy and shape attitudes which materially impact Kentucky's Oil & Gas industry. It achieves its mission through legislative advocacy, business networking and strategic communications.