



San Joaquin Valley

AIR POLLUTION CONTROL DISTRICT



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Seyed Sadredin
Executive Director
Air Pollution Control Officer

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www.valleyair.org

DATE: December 21, 2017

TO: SJVUAPCD Governing Board

FROM: Seyed Sadredin, Executive Director/APCO
Project Coordinator: Dave Warner

RE: **ITEM NUMBER 10: ADOPT RULES 2260 AND 3156
AND AUTHORIZE DISTRICT IMPLEMENTATION
OF CALIFORNIA'S OIL AND GAS REGULATION**

RECOMMENDATIONS:

1. Adopt proposed Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation, and proposed Rule 3156, Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation.
2. Authorize the Executive Director/APCO to sign the attached Memorandum of Agreement (MOA) with the California Air Resources Board to authorize the San Joaquin Valley Air Pollution Control District (District) to implement California's Oil and Gas Regulation, and to make minor changes to the MOA as necessary.
3. Amend the District's Position Control List effective January 1, 2018 by adding two Air Quality Inspector positions at a monthly salary range of \$4,688 - \$6,602.
4. Adopt budget resolution increasing the 2017-18 District revenues by \$1.0 million to accept funds to reimburse the District for expenses related to initial program implementation and increasing appropriations by \$92,415 in Salaries and Benefits for related staffing costs for the remainder of this fiscal year.

BACKGROUND:

On March 23, 2017, the California Air Resources Board (CARB) adopted Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities to reduce methane emissions from oil and gas production operations in California. Most of the affected facilities (70-80%) are located within the District and are already subject to District rules that require VOC emission reductions from equipment used in the oil and gas industry.

Given the Governing Board's policy position that measures aimed at reducing greenhouse gas (GHG) emissions should not cause detriment to public health by increasing criteria or toxic pollutants, District staff actively participated in the state's rule development process and secured changes to the rule that were necessary to minimize and mitigate increases in NOx and toxic emissions.

Through the state's rule development process, it became a widely held consensus that the state lacked the necessary resources and expertise to effectively implement this new regulation. By contrast, all parties recognized the District's expertise in this area and its extensive permitting and enforcement infrastructure that has been in place for decades. All parties, including CARB and the Valley's oil and gas industry, agree that administration of the program by the District will provide for more effective and expeditious implementation at lower cost. At the May 2016 Governing Board Study Session, your Board directed staff to develop a regulatory program to efficiently implement the regulation, including a mechanism for the District to recover the associated implementation and enforcement costs.

SUMMARY OF STATE REGULATION:

The state regulation requires reductions in methane emissions, a greenhouse gas, by controlling emissions from oil-water separators and crude oil storage tanks and by finding and controlling fugitive leaks from methane-containing equipment and piping.

Oil-water separator and tank systems that emit more than 10 metric tons of methane emissions per year are required to be controlled by a vapor collection and control device, such as a flare or steam generator. Periodic emissions testing is required to determine whether uncontrolled tank systems are exceeding 10 metric tons per year.

The state regulation also establishes specific requirements for "leak detection and repair" (LDAR) for compressors, pneumatic devices, and other components, as well as more general LDAR requirements that apply to all other equipment at oil and gas facilities, unless explicitly exempted. LDAR requirements take the form of requiring inspection for leaking components and a specified timeframe for repairing any leaks that are found, with quicker repairs required for larger leaks. In addition, there are limits in the state regulation on the number of leaks allowed.

The state regulation includes special provisions for repair of critical components, requirements for vapor control systems and vapor control devices that are installed to comply with the rule, and specific recordkeeping and reporting requirements.

The state regulation applies to the following types of facilities:

- Onshore and offshore crude oil or natural gas production;
- Crude oil, condensate, and produced water separation and storage;
- Natural gas underground storage;
- Natural gas gathering and boosting stations;
- Natural gas processing plants; and,
- Natural gas transmission compressor stations.

The state regulation also contains requirements to submit an initial inventory of equipment and production information, and annual updates thereafter, for all equipment covered by the state regulation, including equipment not subject to any GHG emission control requirement.

DISTRICT'S APPROACH TO IMPLEMENTATION:

The implementation approach recommended for your Board's approval is guided by the following principles:

1. Use the District's existing comprehensive permitting and enforcement infrastructure to the maximum extent possible.
2. Minimize duplicative permitting and administrative requirements.
3. Comply with the requirements of the state regulation without imposing any additional local requirements.
4. Provide compliance assistance and education for affected facilities.
5. Maintain a high degree of customer service for affected facilities.
6. Deploy all available streamlining and efficiency measures while providing for full compliance with and effective implementation of the state regulation.

To ensure full utilization of the District's existing comprehensive permitting and enforcement infrastructure, the District will integrate the new inspection work with that already performed under the District's existing permitting and enforcement program. Although the new mandates will increase staff hours, combining these activities is expected to result in cost savings associated with field inspections as well as the related tasks such as pre-inspection preparation, travel time, updating inspection tracking databases, and writing inspection reports.

To minimize duplicative permitting and administrative requirements, and allow for full compliance with the requirements of the state regulation without imposing any additional local requirements, the District proposes to utilize a registration program in lieu of a

traditional permitting approach. Using a registration program in lieu of permitting will avoid the unintended consequence of triggering local and federal New Source Review requirements.

EXPECTED WORKLOAD AND STAFFING IMPACT:

As stated above, 70-80% of all affected facilities in the state are located in the San Joaquin Valley. Currently, it is estimated that 200 facilities with 4,500 pieces of equipment, 135,000 active wells and 15,000 idle wells will be subject to the state regulation, for a total of approximately 690,000 regulated components. It is estimated that the District will utilize existing staff and add two (2) Air Quality Inspector positions to perform the workload associated with implementing these new requirements, as described below:

Program Development and Initial Implementation

The District's years of knowledge and experience were critical in the development of the state regulation and resulted in the incorporation of numerous suggested changes to the initial state regulation proposal. The District contributed significant staff time providing essential feedback to CARB during the development of the state regulation, including actively and frequently participating in conference calls, providing the District's technical and hands-on expertise in the formulation of suggested changes to the state regulation. For example, due to prompting from the District, the state regulation now includes special provisions that minimize collateral emission increases in the Valley and include common sense provisions for small oil producers with minimal expected GHG emissions. The District also worked closely with CARB on the development of the Memorandum of Agreement (MOA), which delegates the authority to the District to implement and enforce the state regulation. District staff spent over 450 hours working with CARB to review and improve the original proposed state regulation and develop the MOA.

To develop a program allowing the District to implement and enforce the state regulation, District staff first reached out to affected facilities, held a scoping meeting, and addressed the comments and suggestions received during this process. Following this outreach phase, District staff proposed to adopt a new rule to implement and enforce the state regulation. The rule development process included preparing staff report and a draft state regulation implementation rule. During this process, District staff conducted a public workshop, responded to public comments, and prepared the final proposed Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation.

Rule 2260 establishes a registration mechanism that ensures compliance with the state regulation. Under this new rule, the District will issue a registration for each affected facility. The registration will include conditions of approval that list and outline all

applicable requirements from the state regulation, by equipment type. The proposed District rule does not introduce any new requirements or emissions standards; rather it is designed to fully implement the state regulation's requirements through a new registration program.

Overall, the rule development process represented a total of 950 District staff hours, which included extensive outreach to affected facilities.

In conjunction with the rule development process, District staff engaged in the development of an initial registration application form. To create the new application form, District staff extensively worked with CARB and affected facilities. This application form development process consumed a total of 400 hours. District staff also engaged in the development of the registration format and registration requirement conditions. This phase will require additional critical outreach to affected facilities to ensure that operators have a clear understanding of the state regulation and corresponding registration requirements. This task will require an additional total of 700 hours of District staff time.

With any new regulation, it is vital that resources are devoted to educate and provide assistance to newly affected facilities to make them aware of the state regulation requirements and to assist them through the registration process. Towards that end, the District has committed to developing guidance documents, policies, procedures, and compliance assistance education materials that will be given to these facilities via mail, email and in person. In addition, the District is also committed to providing the excellent customer service that permitted facilities have come to expect from the District while going through the registration process and every step thereafter.

Furthermore, to minimize redundant and duplicative administrative work by District staff, the District will also be developing standard inspection forms and policies. The District has estimated that this critical preparation effort will take a total of 150 hours to create the initial guidance documents and policies regarding registration applications processing and 265 hours to develop inspection forms, policies, and assistance documents that will be provided to affected facilities. Additionally, 105 hours per year will be needed to create new documents and update existing guidance materials.

Registration of Affected Facilities

The District expects to issue initial registrations for approximately 200 facilities covering approximately 4,500 pieces of equipment and over 135,000 active and 15,000 idle wells, totaling approximately 690,000 separate components subject to the new rule.

To administer and streamline the registration program, District staff will develop a web-based system allowing affected facilities to directly submit electronic applications for initial registration and for changes to existing registrations. The registrations will be issued to each affected facility and will include operating conditions that detail all

applicable requirements of the state regulation by equipment type. To streamline the issuance of registrations, the District's web-based portal will be used for application submittal processes, which will allow District staff to quickly and easily generate draft registrations, review and approve registrations, and transmit registrations to affected facilities. Overall, the web-based system will minimize industry time in filling out applications and staff time in entering application information into our database system. In order to offer a high degree of customer service to affected facilities, the web-based portal will also allow facilities to access their registration on-line and review all information and data provided to the District under this program.

To ensure that this web-based portal responds to the need of both the District and affected facilities, the portal will be developed and maintained internally by District staff in coordination with the affected facilities. The total initial workload to develop the web-based portal will require approximately 2,400 District staff hours. It is expected that the maintenance and continuous improvement of the web-based portal will require approximately 100 District staff hours on an annual basis.

To process initial registration applications and issue corresponding registrations to approximately 200 affected facilities, it is expected that District staff will spend approximately 1,200 hours. Following the initial registration phase, processing registration modification applications submitted by affected facilities to add new regulated equipment or transfer registered equipment from a different owner will require 200 District staff hours on an annual basis.

It is also anticipated that approximately 100 permitted tank settings and control devices will be modified to meet the requirements of the state regulation. The modification of permitted equipment will require facilities to submit Authority to Construct (ATC) applications and District staff to process these applications. This initial permitting effort will require approximately 2,500 hours of District staff processing time. It is expected that District staff will spend 300 hours annually to process future permit applications to add or modify permitted equipment.

While the District incorporated estimates of idle wells at affected facilities in assessing potential workload, it is understood by CARB and the District that there is another set of idle wells that may be effectively "orphaned" and due diligence may reveal no party that is responsible for them. The actual number of idle and orphaned wells could drastically differ from the current projections provided by CARB, which the District has used to project time estimates to ensure proper enforcement of the state regulation. Language in the MOA addresses this deficiency in information by including language that, if the District resources are insufficient to address issues at orphaned wells, CARB will offer additional resources.

Finally, due to the streamlined registration application process, no application filing fees are required for applications submitted through the web-based system.

Field Inspections

The District has an established process for assigning field work to maximize enforcement activities and limit unnecessary travel time. This is done by providing staff with weekly assignments with a focus on completing work in the same general geographic areas. Incorporating this strategy, we will be able to limit, to the maximum extent feasible, the significant additional time that will be necessary to complete inspections of already permitted facilities and those that were previously unpermitted. To limit the time necessary to write inspection reports, staff will be using streamlined reports to quickly and easily document inspection findings. Overall, it is estimated that the District will need to devote 2,600 hours on an ongoing annual basis to appropriately enforce the regulation. Since the state regulation is effective January 1, 2018, only half of the annually scheduled field inspections of affected facilities will occur during the fiscal year 2017-18. Therefore, for 2017-18, only half of the ongoing annual 2,600 hours will be spent to enforce the regulation.

Annual Reports of Equipment and Throughput Data Inventory

The state regulation has mandates for affected facilities to provide reports on an annual basis, including, but not limited to, flash analysis testing of storage tank settings, emission flow rate measurement for well casing vents, reciprocating natural gas compressors, and centrifugal natural gas compressors, results of each leak detection and repair inspection conducted during a calendar year. The state regulation requires this information to be submitted to CARB, however, the District will be responsible for ensuring the data is properly submitted. The District will accomplish the bulk of its report review during field inspections.

COST RECOVERY:

The state's budget includes \$2,318,000 for 2017-18 and \$1,816,000 ongoing thereafter to support implementation of CARB's Oil and Gas Methane Regulation. Of these totals, the District expects to receive \$1,000,000 in 2017-18 and \$355,000 annually thereafter. The District expects that this funding from CARB will be sufficient to reimburse the District for its costs to implement the state regulation. However, if the District does not receive adequate funding from the State budget to cover its full implementation costs, the District will recover the necessary balance through the collection of registration program fees from affected facilities. Rule 3156 was developed as a backstop to recover any implementation costs incurred by the District that are not fully reimbursed by the State. Under Rule 3156, the District will analyze its own budgetary needs for the program for the coming fiscal year through our annual zero-based budgeting exercise. Upon the state's subsequent approval of its budget, the District will assess any difference between the District's fiscal needs and the state's budgeted reimbursement, and, if a shortfall exists, will collect the balance of the funds necessary from the affected

facilities based on a proration of the annual fees each facility would otherwise pay in the absence of state reimbursement.

COST EFFECTIVENESS AND SOCIOECONOMIC IMPACT ANALYSIS:

Pursuant to State law, the District is required to analyze the cost effectiveness of any proposed rule that implements Best Available Retrofit Control Technology (BARCT). The proposed rules do not add BARCT requirements. Therefore, the proposed new rules are not subject to the cost effectiveness analysis mandate.

Pursuant to State law, the District is also required to analyze the socioeconomic impacts of any proposed new rule that significantly affects air quality or strengthens an emission limitation. The proposed rules will have neither effect, since they are merely setting forth an administrative process by which to enforce and comply with the state regulation. Therefore, the proposed rules are not subject to the socioeconomic analysis mandate.

RULE CONSISTENCY ANALYSIS:

Pursuant to California Health and Safety Code (CH&SC) Section 40727.2 (g) a rule consistency analysis is not required, because the proposed new rules do not strengthen emission limits or impose more stringent monitoring, reporting, or recordkeeping requirements.

ENVIRONMENTAL IMPACTS ASSESSMENT:

The purpose of Rule 2260 is to provide facilities with a registration that satisfies the requirements of, and will ensure compliance with, CARB requirements of the California Code of Regulations Title 17, Division 3, Chapter 1, Subchapter 10, Climate Change, Article 4, Subarticle 13, Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities. Rule 3156 has been developed to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260.

The District's adoption of rules to enforce CARB rules and regulations has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment (California Environmental Quality Act (CEQA) Guidelines Section 15378(a)) because CARB rules and regulations are in effect whether or not the District takes action, and CARB will directly enforce the regulations if the District chooses not to. According to Section 15378 (b)(5) of the CEQA Guidelines, organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not included within the definition of a "project" which is subject to CEQA.

In addition, CEQA Guidelines Section 15061(b)(3) provides, "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." The District finds that the proposed rules consist exclusively of enforcing CARB regulations through a registration requirement without involving any new emissions requirements, and that no significant environmental impacts will occur due to the adoption of these rules. Therefore, the rules are exempt from CEQA.

Pursuant to Section 15062 of the CEQA Guidelines, District staff will file a Notice of Exemption upon Governing Board approval of Rules 2260 and 3156.

RULE DEVELOPMENT PROCESS:

To develop a program allowing the District to implement and enforce the state regulation, District staff first reached out to interested parties, held a scoping meeting on June 6, 2017, and addressed the comments and suggestions received during this process. The District then developed proposed draft rules, hosted a public workshop to present, discuss, and receive comments on the rules and the draft staff report on October 20, 2017. The Draft Staff Report and Draft Rules were made available on the District's website prior to the public workshop. Comments received during or subsequent to the public workshop are addressed in the Final Draft Staff Report.

In accordance with CH&SC Section 40725, the District publicly noticed and posted the Final Draft Staff Report and the proposed Rules 2260 and 3156 on a timely basis on November 20, 2017 prior to the Governing Board public hearing to consider adoption. Interested parties are able to provide comments up to and during the public hearing for proposed adoption of these rules.

Subsequent to the November 20, 2017, posting of the proposed rules, the District received public comments. A summary of the comments received and District responses are attached (Attachment H). No changes to the proposed rules are required.

Furthermore, if authorized by the Governing Board, the APCO would sign and enter into the MOA, and any subsequent revisions to the MOA, to implement and enforce the state regulation.

FISCAL IMPACT:

While the District intends to implement all feasible streamlining efforts, the District will incur new costs in the form of additional staff time in implementing the state regulation. The District estimates that nearly 10,000 staff hours will be necessary for initial program

development and implementation representing expenditures of approximately \$1.0 million for the first year. While utilizing the existing staffing complement to perform the new workload to the extent possible, if approved by your Board, the District's total staffing will increase from 310 to 312 full time equivalent positions. The ongoing implementation and enforcement of the program will require about 3,300 staff hours per year or approximately two full time positions, while additional temporary staff may be required on an as needed basis.

The District expects that funding from CARB will be sufficient to reimburse the District for its costs to implement the state regulation. However, if the District does not receive adequate funding from the State budget to cover its full implementation costs, the District will recover the necessary balance through the collection of registration program fees from affected facilities under Rule 3156. Approval of the attached budget resolution will increase the 2017-18 District revenues by \$1.0 million to accept funds to reimburse the District for expenses related to initial program implementation and will increase appropriations by \$92,415 in Salaries and Benefits for related staffing costs for the remainder of this fiscal year. The annual cost for the salary and related benefits of adding two Air Quality Inspectors is approximately \$184,000. All future District budgets will include adequate revenue and appropriation for implementation of this program.

Attachments:

- Attachment A: Resolution for Adoption of Rules 2260 and 3156 (4 pages)*
- Attachment B: Budget Resolution (3 pages)*
- Attachment C: Position Control List (1 page)*
- Attachment D: Proposed Rule 2260 (8 pages)*
- Attachment E: Proposed Rule 3156 (4 pages)*
- Attachment F: Final Draft Staff Report for Proposed Rules 2260 and 3156 (80 pages)*
- Attachment G: Memorandum of Agreement (12 pages)*
- Attachment H: Comments Received and District Responses after Publication of Final Draft Rules (3 pages)*

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment A:

RESOLUTION FOR ADOPTION OF RULES 2260 AND 3156
(4 PAGES)

**BEFORE THE GOVERNING BOARD OF THE
SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT**

**IN THE MATTER OF: ADOPT RULES 2260) RESOLUTION NO. _____
AND 3156 AND AUTHORIZE DISTRICT)
IMPLEMENTATION OF CALIFORNIA'S OIL)
AND GAS REGULATION**

WHEREAS, the San Joaquin Valley Unified Air Pollution Control District (District) is a
duly constituted unified air pollution control district, as provided in California Health
and Safety Code (CH&SC) Sections 40150 to 40162 and 40600; and

WHEREAS, for the purpose of carrying out duties imposed upon California Air
Resources Board (CARB) or local air districts, CARB and districts are authorized by
CH&SC Section 41511 to adopt rules and regulations to require an owner or operator
of any air pollution emission source to take reasonable actions for the determination of
the amount of emissions from such source; and

WHEREAS, pursuant to CH&SC Section 38510, CARB is charged with monitoring
and regulating sources of greenhouse gas emissions that cause global warming ; and

WHEREAS; CARB adopted a regulation Greenhouse Gas Emission Standards For
Crude Oil And Natural Gas Facilities, set forth in California Code of Regulations, Title
17, Sections 95665 through 95677, to reduce methane emissions from oil and gas
facilities; and

WHEREAS, CARB regulation Section 95674 provides for the CARB Executive Officer
the ability to enter into agreements with local air districts to enforce the regulation, and
for these air districts to develop mechanisms to recover their implementation costs; and

WHEREAS, considering the District's extensive experience, effectiveness, and
efficiency in enforcing local air pollution requirements oil and gas facilities, CARB staff
and affected facilities have expressed a preference that the District enforce the state
regulation; and

WHEREAS, on May 4, 2016, the Governing Board provided direction to District staff to
develop a memorandum of agreement with CARB to authorize the District to implement

1 the regulation and to develop a District regulatory program to implement the state
2 regulation; and

3 **WHEREAS**, the proposed rules will provide the District with a mechanism to implement
4 and enforce the state regulation and ensure that the methane emission reductions
5 required in the state regulation will occur, and to recover any implementation costs
6 incurred by the District that are not fully reimbursed by the State; and

7 **WHEREAS**, a public hearing for the adoption of proposed Rules 2260 and 3156 was
8 duly noticed for a December 21, 2017 adoption hearing in accordance with CH&SC
9 Section 40725.

10 **NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

11 1. The Governing Board hereby adopts the proposed Rule 2260, Registration
12 Requirements for Equipment Subject to California's Oil and Gas Regulation, and Rule
13 3156, Fees for Equipment Subject to Rule 2260 Registration Requirements for
14 Equipment Subject to California's Oil and Gas Regulation. Rules 2260 and 3156 shall
15 become effective on the date upon this adoption.

16 2. The Governing Board hereby finds, based on the evidence and information
17 presented at the hearing upon which its decision is based, all notices required to be
18 given by law have been duly given in accordance with CH&SC Section 40725, and the
19 Board has allowed public testimony in accordance with CH&SC Section 40726.

20 3. In connection with this rulemaking, the Board makes the following findings as
21 required by CH&SC Section 40727:

22 a. **NECESSITY.** The Governing Board finds, based on the staff report, on
23 public and industry testimony, and on the record for this rulemaking proceeding, that a
24 need exists for the proposed rules. Proposed rules would allow the District to
25 effectively and efficiently enforce the state regulation and result in an efficient use of
26 government funds.

27 b. **AUTHORITY.** The Governing Board finds that it has the legal authority for
28 rulemaking under the CH&SC Sections 40000 and 40001.

c. **CLARITY.** The Governing Board finds that this rule is written or displayed so that the meaning can be easily understood by those persons or industries directly affected by said rule.

d. **CONSISTENCY.** The Governing Board finds that this rule is in harmony with, and not in conflict with or contradictory to, existing statutes, court decisions, or state or federal regulations.

e. **NONDUPLICATION.** The Governing Board finds that this rule does not impose the same requirements as any existing state or federal regulation.

f. **REFERENCE.** The Governing Board finds that said rule implements CH&SC Sections 40702.

4. The Governing Board finds that, because the adoption of Rules 2260 and 3156 is an action taken by a regulatory agency to implement and enforce an existing state regulation to reduce greenhouse gas emissions from oil and gas facilities, that Rules 2260 and 3156 are exempt from the provisions of the California Environmental Quality Act of 1970 (CEQA) under the provisions of Section 15378(a) and that, because this rulemaking will have no possible significant adverse effect on the environment, the proposed actions are exempt from the provisions of CEQA under the provisions of Section 15061 (b)(3) of the State CEQA Guidelines.

5. The Executive Director/Air Pollution Control Officer is directed to file a Notice of Exemption with the County Clerks of each of the counties in the District.

6. The Executive Director/Air Pollution Control Officer is directed to file with all appropriate agencies certified copies of this resolution and the rule adopted herein and is directed to maintain a record of this rulemaking proceeding in accordance with CH&SC 40728.

THE FOREGOING was passed and adopted by the following vote of the Governing Board of the San Joaquin Valley Unified Air Pollution Control District this 21st day of December 2017, to wit:

AYES:

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NOES:

ABSENT:

SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT

By _____
Oliver L. Baines III, Chair
Governing Board

ATTEST:
Deputy Clerk of the Governing Board

By _____
Michelle Franco

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment B:

BUDGET RESOLUTION
(3 PAGES)

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**BEFORE THE GOVERNING BOARD OF THE
SAN JOAQUIN VALLEY UNIFIED
AIR POLLUTION CONTROL DISTRICT**

IN THE MATTER OF INCREASING THE
2017/18 DISTRICT BUDGET \$1 MILLION
FOR ESTIMATED REVENUES,
APPROPRIATIONS AND TO REFLECT
A CHANGE TO THE DISTRICT'S
POSITION CONTROL LIST
EFFECTIVE DECEMBER 21, 2017

RESOLUTION NO. _____

WHEREAS, The San Joaquin Valley Unified Air Pollution Control District (District) is a duly constituted unified district, as provided in California Health and Safety Code sections 40150 to 40161, and;

WHEREAS, the District is authorized by California Health and Safety Code section 40702 to make and enforce all necessary and proper orders, rules and regulations to accomplish the purpose of Division 26 of Health and Safety Code, and;

WHEREAS, On March 23, 2017, the California Air Resources Board (CARB) adopted Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities to reduce methane emissions from oil and gas production operations in California

WHEREAS, the workload for the District will increase to implement and enforce the new California's Oil and Gas Regulations, implemented by adopting District's Rules 2260 and 3156 and,

WHEREAS, the District Governing Board wishes to add two Air Quality Inspector positions to the District's Position Control List, and,

NOW, THEREFORE, IT IS ORDERED THAT the District's Director of Administrative Services is authorized to increase the 2017/18 District Budget as follows:

OPERATING APPROPRIATIONS:

SALARIES AND BENEFITS

Regular Salaries 100-5100-000-100	\$ 56,430
Unemployment Insurance 100-5200-000-100	239

1	Retirement	24,425
2	100-5300-000-100	
3	OASDI	848
4	100-5210-000-100	
5	Workers Compensation	372
6	100-5220-000-100	
7	Cafeteria Plan Benefits	9,960
8	100-5310-000-100	
9	Long Term Disability Insurance	<u>141</u>
10	100-5320-000-100	
11	TOTAL SALARIES AND BENEFITS	<u>\$ 92,415</u>
12	TOTAL OPERATING APPROPRIATIONS	<u>\$ 92,415</u>
13	TOTAL APPROPRIATIONS	<u><u>\$ 92,415</u></u>

BE IT FURTHER RESOLVED THAT, the Director of Administrative Services is ordered to increase the following:

DISTRICT RESERVES:

16	F/B Reserve	<u>\$ 907,585</u>
17	100-3090-000-100	
18	TOTAL RESERVES INCREASED	<u><u>\$ 907,585</u></u>

BE IT FURTHER RESOLVED THAT the estimated revenues for the 2017/18 District Budget be adjusted as follows:

ESTIMATED REVENUES

23	OPERATING REVENUES	
24	State Grants- Rules 2260 & 3156	<u>\$ 1,000,000</u>
25	100-4401-000-100	
26	TOTAL OPERATING REVENUES	<u>\$ 1,000,000</u>
27	TOTAL ESTIMATED REVENUES	<u><u>\$ 1,000,000</u></u>

1 Approved as to Accounting Form

2
3 By _____
4 Mehri Barati
5 Director of Administrative Services

6
7 **THE FOREGOING** was passed and adopted by the following vote of the
8 Governing Board of the SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL
9 DISTRICT this 21st day of December 2017, to wit:

10 AYES:

11 NOES:

12 ABSENT:

13
14 SAN JOAQUIN VALLEY UNIFIED
15 AIR POLLUTION CONTROL DISTRICT

16 By _____
17 Oliver L. Baines III
18 Governing Board Chair

19 ATTEST:

20 Clerk to the Governing Board

21 By _____
22 Michelle Franco

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment C:

POSITION CONTROL LIST
(1 PAGE)

SJVUAPCD Position Control List**SUMMARY OF POSITIONS**

<u>Title</u>	<u>2017/2018</u>	<u>2017/2018 Recommended</u>	<u>Increase/ Decrease</u>
Accountant I/II	4.0	4.0	0
Accounting Assistant I/II	5.0	5.0	0
Accounting Technician I/II	2.0	2.0	0
Air Quality Analysis and Research Supervisor	1.0	1.0	0
Air Quality Assistant	8.0	8.0	0
Air Quality Compliance Manager	3.0	3.0	0
Air Quality Education Rep Bilingual I/II	1.0	1.0	0
Air Quality Education Rep I/II	2.5	2.5	0
Air Quality Education Web Specialist I/II	1.0	1.0	0
Air Quality Engineer I/II	36.0	36.0	0
Air Quality Field Assistant	7.0	7.0	0
Air Quality Inspector I/II	42.0	44.0	2.0
Air Quality Instrument Specialist I/II	1.0	1.0	0
Air Quality Instrument Tech I/II	6.0	6.0	0
Air Quality Specialist I/II	46.0	46.0	0
Air Quality Technician I/II	1.0	1.0	0
Assistant Counsel I/II	1.0	1.0	0
Audio Video Specialist I/II	.5	.5	0
Chief Communications Officer	1.0	1.0	0
Controller	1.0	1.0	0
Custodial Worker	1.0	1.0	0
Deputy APCO	3.0	3.0	0
Deputy Clerk to the Board	1.0	1.0	0
Director of Administrative Services	1.0	1.0	0
Director of Compliance	1.0	1.0	0
Director of Information Systems	1.0	1.0	0
Director of Permit Services	1.0	1.0	0
Director of Personnel	1.0	1.0	0
Director of Strategy & Incentives	1.0	1.0	0
District Counsel	1.0	1.0	0
Executive Director/APCO	1.0	1.0	0
Facilities Maintenance Specialist	1.0	1.0	0
General Services Foreman	1.0	1.0	0
Legal Technician (Conf)	1.0	1.0	0
Network Systems Analyst I/II	6.0	6.0	0
Office Assistant I/II	11.0	11.0	0
Office Services Manager I/II	2.0	2.0	0
Operations Support Supervisor	2.0	2.0	0
Permit Services Manager	3.0	3.0	0
Personnel Administrator	1.0	1.0	0
Personnel Technician (Conf) I/II	1.0	1.0	0
Program Manager	4.0	4.0	0
Programmer/Analyst I/II	7.0	7.0	0
Public Education Administrator	1.0	1.0	0
Senior Accountant	2.0	2.0	0
Senior Air Quality Education Rep	1.0	1.0	0
Senior Air Quality Engineer	12.0	12.0	0
Senior Air Quality Inspector	10.0	10.0	0
Senior Air Quality Instrument Tech	1.0	1.0	0
Senior Air Quality Specialist	16.0	16.0	0
Senior Network Systems Analyst	2.0	2.0	0
Senior Network Systems Analyst (Conf)	1.0	1.0	0
Senior Office Assistant	5.0	5.0	0
Senior Office Assistant (Conf)	1.0	1.0	0
Senior Personnel Analyst	1.0	1.0	0
Senior Policy Advisor	1.0	1.0	0
Senior Programmer Analyst	2.0	2.0	0
Staff Technician I/II	2.0	2.0	0
Supervising Accountant	2.0	2.0	0
Supervising Air Quality Engineer	6.0	6.0	0
Supervising Air Quality Inspector	8.0	8.0	0
Supervising Air Quality Instrument Tech	1.0	1.0	0
Supervising Air Quality Specialist	8.0	8.0	0
Supervising Atmospheric Modeler	1.0	1.0	0
Supervising Network Systems Analyst	1.0	1.0	0
Supervising Programmer/Analyst	2.0	2.0	0
TOTAL	<u>310.0</u>	<u>312.0</u>	<u>2.0</u>

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment D:

PROPOSED RULE 2260
(8 PAGES)

RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO CALIFORNIA'S OIL AND GAS REGULATION (Adoption date)

1.0 Purpose

The purpose of this rule is to provide a registration mechanism that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation.

2.0 Applicability

This rule is applicable to owners or operators of equipment subject to California's Oil and Gas Regulation.

3.0 Definitions

Unless otherwise defined, terms used in this rule are defined in California's Oil and Gas Regulation.

3.1 Administrative Change: Minor changes to Registrations including, but not limited to the following:

3.1.1 Correction of typographical errors;

3.1.2 Removal of Registered Equipment from a Facility; and

3.1.3 Transfer of location of Registered Equipment within a Facility.

3.2 California's Oil and Gas Regulation: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, 17 CCR § 95665 et seq.

3.3 CARB: California Air Resources Board.

3.4 Equipment Site: A single location within a Facility where Regulated Equipment is located.

3.5 Facility: As defined in 17 CCR § 95667 (a)(19), means any building, structure, or installation to which California's Oil and Gas Regulation applies and which has the potential to emit natural gas. Facilities include all buildings, structures, or installations which:

3.5.1 Are under the same ownership or operation, or which are owned or operated by entities which are under common control;

- 3.5.2 Belong to the same industrial grouping either by virtue of falling within the same two-digit standard industrial classification code or by virtue of being part of a common industrial process, manufacturing process, or connected process involving a common raw material; and
 - 3.5.3 Are located on one or more contiguous or adjacent properties.
 - 3.6 Registered Equipment: An individual device subject to the requirements of California's Oil and Gas Regulation that has received a Registration under this rule.
 - 3.7 Registration: A document issued by the District to the owner or operator of a Facility subject to California's Oil and Gas Regulation, which identifies Registered Equipment.
 - 3.8 Regulated Equipment: Equipment having specific requirements under California's Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).
- 4.0 Exemptions
- 4.1 Equipment that is not subject to requirements of 17 CCR § 95668 (Standards) of California's Oil and Gas Regulation is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.
 - 4.1.1 Notwithstanding Section 4.1, circulation tanks for well stimulation treatments subject to 17 CCR § 95668(b) are exempt from the requirements of this rule.
 - 4.2 Equipment exempted by the following sections of California's Oil and Gas Regulation are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall make such documentation readily available for District inspection upon request:
 - 4.2.1 Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);
 - 4.2.2 Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);
 - 4.2.3 Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and

- 4.2.4 Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).

5.0 Requirements

- 5.1 The owner or operator of existing Regulated Equipment shall submit a complete initial Registration application to the District by March 1, 2018.
- 5.1.1 Complete initial Registration applications submitted to CARB pursuant to California's Oil and Gas Regulation 17 CCR § 95674 (b)(2)(A), by January 1, 2018 satisfy this requirement, provided the application includes all information required by Section 6.0 (Registration Application) of this rule. In such cases, owners or operators are not required to submit a separate initial Registration application to the District.
- 5.2 The owner or operator of newly installed Regulated Equipment at a Facility shall submit a Registration application to the District within 30 days of the addition of Regulated Equipment.
- 5.3 The owner or operator of Registered Equipment transferred from a different owner or operator shall submit a Registration application to the District within 30 days of the transfer of Registered Equipment.
- 5.4 Existing equipment that becomes subject to the requirements of California's Oil and Gas Regulation through loss of exemption shall submit a Registration application to the District within 60 days of loss of exemption.
- 5.5 Replacement of existing Registered Equipment with the same type of Regulated Equipment at the same Equipment Site is exempt from the Registration application requirements of this rule.
- 5.6 The District shall issue the Registration within 90 days of receipt of a complete Registration application.
- 5.7 The owner or operator of Registered Equipment that is removed from a Facility, or that is transferred from one location to another within a single Facility, shall administratively revise the Registration no later than 30 days thereafter.
- 5.8 Administrative Change to an existing Registration does not require the submittal of a Registration application.
- 5.9 Registered Equipment is subject to District Rule 3156 (Fees for Registration of Equipment Subject to California's Oil and Gas Regulation).

5.10 All reporting pursuant to California's Oil and Gas Regulation, 17 CCR § 95673 (Reporting Requirements) shall be submitted to CARB.

5.11 Nothing in this rule waives any requirement of any District rule or regulation.

6.0 Registration Application

6.1 A complete application for initial Registration or for a Facility newly subject to the registration requirements of this rule shall include the following:

6.1.1 The owner or operator's name and contact information;

6.1.2 The address or location of each Facility with Regulated Equipment subject to this rule;

6.1.3 The District's Permit to Operate facility identification number(s) most closely associated with the Facility;

6.1.4 A description of all Regulated Equipment covered by this rule located at each Facility including the following:

6.1.4.1 Each separator and tank system, including the size of each tank and separator in barrels, and the Facility's unique identifiers;

6.1.4.2 Each reciprocating natural gas compressor, including the Facility's unique identifier;

6.1.4.3 Each centrifugal natural gas compressor, including the Facility's unique identifier;

6.1.4.4 A count of all natural gas powered pneumatic devices and pumps at the Facility;

6.1.4.5 Each well casing vent open to the atmosphere, including the Facility's unique identifier;

6.1.4.6 For each natural gas underground storage Facility:

6.1.4.6.1 Each separator system, including the Facility's unique identifier;

6.1.4.6.2 Each dehydration system, including the Facility's unique identifier;

- 6.1.4.6.3 Each odorizer skid, including the Facility's unique identifier;
- 6.1.4.6.4 A list of all production and injection wells, including the Facility's unique identifiers;
- 6.1.4.6.5 All reciprocating and centrifugal natural gas compressors, including the Facility's unique identifiers; and
- 6.1.4.7 The location of each piece of Registered Equipment at the Facility (UTM or latitude/longitude), except as follows:
 - 6.1.4.7.1 All natural gas powered pneumatic devices and pumps;
 - 6.1.4.7.2 For each piece of Registered Equipment grouped at a setting, such as separator and tank system, only the location of the setting is required; and
 - 6.1.4.7.3 All well casing vents open to the atmosphere.
- 6.2 A complete Registration application for newly installed Regulated Equipment and for transferred Registered Equipment from a different owner or operator shall include the following information:
 - 6.2.1 The new owner or operator's name and contact information;
 - 6.2.2 The address or location of the associated Facility;
 - 6.2.3 The District's associated Registration number; and
 - 6.2.4 A description of the Regulated Equipment to be installed or transferred from a different owner including:
 - 6.2.4.1 The Facility's Regulated Equipment unique identifier; and
 - 6.2.4.2 The Regulated Equipment location at the Facility (UTM or latitude/longitude), except as allowed Sections 6.1.4.7.1 through 6.1.4.7.3 of this rule.

- 6.3 Each Registration application specified in Sections 6.1 and 6.2 of this rule shall include an attestation that all information provided in the Registration application is provided by a party authorized by the owner or operator to do so, and that the information is true and correct.

7.0 Registration Content

Each Registration issued under this rule shall include, at a minimum, the following:

- 7.1 Facility name, District Permit to Operate facility identification number(s), and mailing address;
- 7.2 A list of equipment subject to the Registration;
- 7.3 Location where the equipment will be operated;
- 7.4 List of all applicable requirements at the time of Registration issuance or renewal; and
- 7.5 The District's Registration number.

8.0 CARB Data Inventory Requirement

- 8.1 By March 1, 2018, and to the extent required by CARB, the owner or operator of facilities or equipment that are regulated by California's Oil and Gas Regulation shall submit the following required CARB Data Inventory information for each Facility to the District. This requirement is applicable for all equipment and operations listed below, including for equipment not subject to the requirements of Sections 5.0, 6.0, and 7.0 of this rule. The initial inventory pursuant to this section may be submitted concurrently with the initial Registration pursuant to section 5.1.

- 8.1.1 The owner or operators name and contact information;
- 8.1.2 The address or location of each Facility with equipment covered by California's Oil and Gas Regulation;
- 8.1.3 The number of crude oil or natural gas wells at the Facility;
- 8.1.4 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;
- 8.1.5 The annual crude oil, natural gas, and produced water throughput of the Facility;

- 8.1.6 A list identifying all reciprocating and centrifugal natural gas compressors at the Facility; and
- 8.1.7 A count of all natural gas powered pneumatic devices and pumps at the Facility.
- 8.2 Updates to the information required in Section 8.1 must be submitted to the District by March 1 of the calendar year after the calendar year in which the information required above has changed.

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San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment E:

PROPOSED RULE 3156
(4 PAGES)

RULE 3156 FEES FOR EQUIPMENT SUBJECT TO RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO CALIFORNIA'S OIL AND GAS REGULATION (Adoption date)

1.0 Purpose

The purpose of this rule is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

2.0 Applicability

This rule applies to owners or operators of equipment subject to Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

3.0 Definitions

Unless otherwise defined, terms used in this rule are defined in Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation) and in California's Oil and Gas Regulation.

3.1 CARB: California Air Resources Board

3.2 Fiscal Year: The 12-month period between July 1 and the following June 30, inclusive.

4.0 Registration Fees

4.1 Registration Application Filing Fee:

4.1.1 An application filing fee is not required for Registration applications submitted electronically in a format specified by the District.

4.1.2 The owner or operator of a Facility subject to Rule 2260 shall pay a data processing fee for the processing of Registration applications not submitted electronically in a format specified by the District. The fee shall be calculated using the staff hours expended and the prevailing weighted labor rate. Notwithstanding the provisions of Section 5.0, such fee shall be invoiced upon issuance of the Registration.

4.2 Annual Registered Equipment Fee: The owner or operator of a Facility subject to Rule 2260 is subject to the following annual fee schedules shown in Table 1 below.

Table 1: Annual Registered Equipment Fees

Equipment at Facilities Subject to Registration Under Rule 2260, Except at Natural Gas Underground Storage Facilities	
Schedule	Cost (\$ per year)
A - Each Separator and Tank System subject to flash testing	\$60
B - Each Separator and Tank System subject to Leak Detection and Repair	\$90
C - All Reciprocating and Centrifugal Natural Gas Compressors at a Facility	\$190
D - All Natural Gas Powered Pneumatic Devices and Pumps at a Facility (per 25 units or portion thereof)	\$145
E - All Well Casing Vents Open to the Atmosphere at a Facility (per 10 wells or portion thereof)	\$60
F - Natural Gas Processing Plant	\$90
G - Natural Gas Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere),	\$135
H - Crude Oil Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere)	\$100
Equipment at Natural Gas Underground Storage Facilities Subject to Registration Under Rule 2260	
Schedule	Cost (\$ per year)
I - Separator System (per unit)	\$90
J - Dehydration System (per glycol unit)	\$300
K - Odorizer Skid (per skid)	\$30
L - Production/Injection Wells (per 10 wells or portion thereof)	\$135
M - All Reciprocating and Centrifugal Natural Gas Compressors at a Facility	\$190

5.0 Registration Program Fee Notification

5.1 Registration program fees due for each Facility shall be determined as follows:

- 5.1.1 By July 1 of each Fiscal Year, District costs to implement Rule 2260 shall be determined for that Fiscal Year (as determined in the District's Fiscal Year Budget). District costs are all costs associated with the program, including, but not limited to, staff time required to develop and modify the registration program, process and issue initial Registrations, modify

existing Registrations, conduct ongoing inspections, and perform related support activities. District costs shall be based on Registrations in effect on July 1 of each Fiscal Year.

- 5.1.2 If the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the District costs of implementing Rule 2260 (as specified in section 5.2.1), the District shall collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs to implement Rule 2260 pursuant to Section 5.2.4.
- 5.1.3 The annual fee for each Facility shall be reduced by a prorated portion of the funds provided by CARB, determined as follows:
 - 5.1.3.1 Determine the program funds balance: total District costs to implement Rule 2260 (determined per section 5.2.1) reduced by the annual funds received from CARB. If the program funds balance is less than or equal to zero, no registration program fees are due from individual Facilities;
 - 5.1.3.2 Determine the Facility's ratio: the Annual Registered Equipment Fees that should have been paid by each Facility according to Section 4.0, Registration Fees, divided by the total Annual Registered Equipment Fees for all Facilities.
 - 5.1.3.3 Multiply the program funds balance by the Facility's ratio to determine the Registration Program Fee due from the Facility.
- 5.1.4 If no funds are provided by CARB, the Registration Program Fees due by each Facility are those specified in Section 4.0, Registration Fees of this rule.
- 5.2 If there are Registration Program Fees due for a Facility, the District shall provide the owner or operator with an invoice for the Registration Program Fees within 30 days District receipt of annual implementation funds from CARB.
- 5.3 Registration Program Fees shall be due within 60 days of the date of the District invoice.
- 5.4 Registration Program Fees not paid in accordance with deadlines specified in this section shall be subject to late fees in accordance with the schedule provided in Rule 3010, Section 11.0, Late Fees.
- 5.5 Nonpayment of registration fees and all related late fees within 90 days of the original invoice date may result in suspension or cancellation of the registration.

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San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment F:

FINAL DRAFT STAFF REPORT FOR PROPOSED RULES 2260 AND 3156
(80 PAGES)



San Joaquin Valley
AIR POLLUTION CONTROL DISTRICT



FINAL DRAFT STAFF REPORT

**PROPOSED RULE 2260
REGISTRATION REQUIREMENTS FOR EQUIPMENT
SUBJECT TO CALIFORNIA'S OIL AND GAS
REGULATION**

AND

**PROPOSED RULE 3156
FEES FOR EQUIPMENT SUBJECT TO RULE 2260
REGISTRATION REQUIREMENTS FOR EQUIPMENT
SUBJECT TO CALIFORNIA'S OIL AND GAS
REGULATION**

DECEMBER 21, 2017

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

TABLE OF CONTENTS

	Page Number
I. SUMMARY	1
II. BACKGROUND	2
III. DISCUSSION	
A. Rule 2260	4
B. Rule 3156	17
IV. RULE AMENDMENT PROCESS	23
V. COST EFFECTIVENESS ANALYSIS AND SOCIOECONOMIC ANALYSIS	24
VI. RULE CONSISTENCY ANALYSIS	24
VII. ENVIRONMENTAL IMPACTS	25
APPENDICES	26

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

FINAL DRAFT STAFF REPORT

District Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation)

District Rule 3156 (Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation)

December 21, 2017

Prepared by: Leonard Scandura, Permit Services Manager
Steve Davidson, Senior Air Quality Engineer

Reviewed by: Dave Warner, Deputy APCO
Morgan Lambert, Deputy APCO
Arnaud Marjollet, Director of Permit Services
Ryan Hayashi, Director of Compliance
Mike Oldershaw, Compliance Manager

I. SUMMARY

The California Air Resources Board's (CARB) adopted a new rule on March 23, 2017, to reduce methane emissions from certain equipment used at crude oil and natural gas facilities, codified in California Code of Regulations Title 17, Division 3, Chapter 1, Subchapter 10 Climate Change, Article 4, Subarticle 13: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities (California's Oil and Gas Regulation). This rule is part of CARB's efforts to implement California's "Global Warming Solutions Act of 2006" (also known as AB 32). To implement AB 32, CARB employed a multi-faceted approach to reduce greenhouse gas emissions in California, including the cap and trade program and various source specific rules. One of these source specific rules is California's Oil and Gas Regulation.

California's Oil and Gas Regulation can be implemented and enforced by CARB directly or by local Air Pollution Control Districts under a Memorandum of Agreement (MOA) between the local Air Pollution Control District and CARB.

Both the regulated industry and CARB have expressed a preference for District implementation, so the District is proposing to adopt two new rules to implement the new CARB regulation. The proposed District rules will create a streamlined

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

registration program that will allow the District to implement and enforce the regulation in coordination with the District's existing regulatory programs, thus avoiding the duplicative regulation that would occur if CARB were to implement the regulation. Although the state expects to reimburse the District for its costs in implementing the program, the proposed District Rules will also establish the necessary fees to reimburse the District for costs of implementing the regulation if CARB does not fully reimburse the District's costs.

Towards that end, a proposed MOA has been prepared and proposed Rules 2260 and 3156 have been developed for the purpose of meeting the requirements for District implementation of California's Oil and Gas Regulation. Proposed Rule 2260 meets the requirements for District implementation in California's Oil and Gas Regulation and will offer a streamlined registration process by which the District can implement and enforce California's Oil and Gas Regulation for all affected facilities in the District.

The proposed MOA allows for the State to reimburse the District for time spent implementing and enforcing Rule 2260. It is expected that initially the State will provide sufficient funds to the District to cover its implementation costs. If the District's allocation of funding from CARB in the State budget to implement the California's Oil and Gas Regulation does not include sufficient funds to reimburse the District's ongoing costs of implementing Rule 2260, the District will collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs, as specified in the proposed Rule 3156 (Fees for Equipment Subject to Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

II. BACKGROUND

Existing District rule requirements that apply to crude oil and natural gas facilities are intended to reduce NOx emissions from combustion sources including, but not limited to, steam generators, boilers, heaters, IC engines, and gas turbine engines, and VOC emissions from evaporative sources including, but not limited to, organic liquid storage tanks, certain crude oil production wells, and gas processing plants. The District has a robust permitting and compliance program under which oil and gas facilities are required to have District permits and are regularly inspected. As a result, District staff are very familiar with oil and gas facilities. The implementation of California's Oil and Gas regulation by the District would allow for significant streamlining opportunities and avoid a duplication of efforts by the District and CARB.

Both CARB and the facilities subject to California's Oil and Gas Regulation support District implementation of California's Oil and Gas Regulation.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

Overview of Requirements Of California's Oil and Gas Regulation

California's Oil and Gas Regulation establishes GHG emission standards for certain equipment at the following types of facilities:

- Onshore and offshore crude oil or natural gas production; and,
- Crude oil, condensate, and produced water separation and storage; and,
- Natural gas underground storage; and,
- Natural gas gathering and boosting stations; and,
- Natural gas processing plants; and,
- Natural gas transmission compressor stations.

Within these facilities, there are requirements for:

- Separator and tank systems
- Circulation tanks for well stimulation treatments
- Reciprocating natural gas compressors
- Centrifugal natural gas compressors
- Natural gas powered pneumatic devices
- Liquids unloading of natural gas wells
- Well casing vents
- Natural gas underground storage facility monitoring requirements

California's Oil and Gas Regulation also has requirements for leak detection and repair, special provisions for repair of critical components, requirements for vapor control systems and vapor control devices installed to comply, recordkeeping, and reporting requirements.

The District's initial interpretation of the leak detection and repair (LDAR) requirements of California's Oil and Gas Regulation was that the LDAR requirements were applicable only to equipment subject to the "Standards" section of the regulation. However, CARB has clarified their interpretation of the rule that the LDAR requirements apply to all equipment at facilities specified in the regulation, unless explicitly exempt from LDAR requirements. While the District's interpretation is not specifically addressed in the District rules, it was communicated to stakeholders during meetings and workshops. Therefore, District staff subsequently informed the oil and gas industry of CARB's interpretation to ensure no misinterpretations moving into the future.

The District has under permit numerous facilities that are subject to California's Oil and Gas Regulation. In fact, for facilities used in crude oil production, approximately 80% of all oil produced in California is produced in the District, primarily in the south Valley. The District welcomes this opportunity to further its commitment to eliminating and streamlining duplicative regulatory requirements by

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

utilizing its existing expertise and regulatory programs to implement this new state mandate.

III. DISCUSSION

A. Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

In considering alternatives to implement and enforce California's Oil and Gas Regulation, staff held a public scoping meeting on June 6, 2017 to present possible options and solicited public input on those options and any suggestions for alternative options.

Options presented during the scoping meeting were:

- Option 1: Incorporate Requirements Into Each Affected Permit to Operate (PTO), and Require Permit Exempt Equipment Registrations (PEERs) to Enforce Requirements for Exempt Equipment

The District considered enforcing the requirements of California's Oil and Gas Regulation by including applicable requirements in Permits to Operate for equipment subject to permit and by issuing Permit Exempt Equipment Registrations (PEERs) for equipment not subject to District permit. The advantage of this method enforcement is that the District already has the mechanisms in place to include these enforce requirements through PTOs and PEERs.

This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERS for exempt equipment to enforce California's Oil and Gas Regulation.

However, Rule 2010 Permits Required authorizes the District to require a permit only for equipment that is the source of "air contaminants". The District has not made the determination GHGs are air contaminants. As such, the District does not have the authority to require permits for equipment that solely emits GHG.

While some equipment subject to California's Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

-
- Option 2: Incorporate Requirements Into Each Affected Permit to Operate (PTO), and Enforce Exempt Equipment Through a Compliance Plan

The District considered enforcing the requirements of California's Oil and Gas Regulation by including applicable requirements in Permits to Operate for equipment subject to permit and enforcing the requirements for exempt equipment through operator submittal of a California's Oil and Gas Regulation compliance plan. The advantage of this method enforcement is that the District already has the mechanisms in place to include these enforce requirements through PTOs and through a compliance plan (as with several oil and gas related leak detection and repair rules).

For the equipment that is exempt from permit, this option does not meet the criteria in California's Oil and Gas Regulation that the requirements be enforceable by permit or registration.

Additionally, Rule 2010 Permits Required authorizes the District to require a permit for only for equipment that is the source of "air contaminants". The District has not made the determination GHGs are air contaminants. As such, the District does not have the authority to require permits for equipment that solely emits GHG.

While some equipment subject to California's Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

- Option 3: Incorporate Requirements Into Facility-Wide Requirements for Permitted Equipment and a Facility Wide Permit Exempt Equipment Registration for all Exempt Equipment

The District considered enforcing the requirements of California's Oil and Gas Regulation by including the requirements of the rule in the facility-wide requirements to enforce the standards for permitted equipment. New facility wide PEER requirements would have to be created to enforce the requirements for permit exempt equipment.

This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERS for exempt equipment to enforce California's Oil and Gas Regulation.

However, Rule 2010 Permits Required authorizes the District to require a permit for only for equipment that is the source of "air contaminants". The District has not made the determination GHGs are air contaminants. As

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

such, the District does not have the authority to require permits for equipment that solely due equipment having GHG emissions.

While some equipment subject to California's Oil and Gas Regulation is already subject to District permit (mainly because it is the source of VOC emissions), staff believes that it would not be appropriate to include GHG requirements into existing District permits.

Subsequent to the scoping meeting, the District received suggestions on two additional options:

- It was suggested that California's Oil and Gas Regulation can be made enforceable through the facility submittal of a compliance plan to satisfy the requirements, District approval of such a plan, and including a requirement in a permit exempt equipment registration that the facility comply with the compliance plan.

This option would require the revision of District Rule 2250, Permit-Exempt Equipment Registration (PEER), to allow PEERs to be issued to enforce the compliance plan submitted to address California's Oil and Gas Regulation requirements.

Staff believes that the enforceability of different compliance plans from numerous facilities would result in inefficiencies related to staff time required to review and potentially approve numerous compliance plans and to enforce different compliance plans for numerous facilities.

The District considered this option, but ultimately rejected it as the explicit requirements of California's Oil and Gas Regulation would not be contained in a District permit or registration, and would not meet the criteria for District implementation specified in California's Oil and Gas Regulation.

- Two commenters suggested a fifth option, specifically that California's Oil and Gas Regulation can be enforced by issuance of a general permit or general order that, for each facility; specify the requirements of California's Oil and Gas Regulation for the different types of equipment subject to the rule.

Such a general permit/general order would, for each type of equipment subject to the California's Oil and Gas Regulation, list the individual pieces of equipment, and the specific requirements for that type of equipment.

This option would require the adoption of a new Regulation II rule that would provide the District authority to issue a document that would be used to enforce the requirements of California's Oil and Gas Regulation.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

Recommendation:

Staff believes that a modified version of this fifth option offers a practical means to enforce California's Oil and Gas Regulation and meets the criteria for District implementation contained in California's Oil and Gas Regulation. Analogous to a general permit, the District is proposing to issue registrations with standard sets of conditions corresponding to the requirements of California's Oil and Gas Regulation for each equipment type.

Additionally, enforcing these requirements through a registration separate from District permits will ensure that the New Source Review requirements of the District's permitting regulations do not apply. These requirements of the registration will be based solely on California's Oil and Gas Regulation and NSR requirements like BACT and offsets would not be triggered by installation of new equipment or modifications of existing equipment, except in cases where a permit is otherwise required by District rules.

Staff developed a draft rule and held a public workshop on October 20, 2017. Staff received significant comments on Rule 2260 during the comment period from CARB staff and affected stakeholders.

Comments received from CARB requested that Rule 2260 be revised to include a requirement to obtain an inventory, and annual updates, of certain equipment at facilities that are regulated by California's Oil and Gas Regulation. CARB's interpretation of California's Oil and Gas Regulation Section 95674 (b)(2)(A) is that facilities are required to submit an inventory of equipment specified in this section regardless of whether the specific equipment is subject to the requirements of California's Oil and Gas Regulation. District staff believes that California's Oil and Gas Regulation is unclear regarding this "requirement", but defers to CARR's interpretation of their rule.

In response to these comments and industry comments, staff revised the rule and distributed two different interim drafts of Rule 2260 to interested parties on November 2, 2017 and on November 15, 2017.

A summary of the comments received and District responses is included in Appendix C.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

The following discussion describes proposed Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation:

1.0 Purpose

This section identifies the purpose of the proposed rule. Proposed rule language is as follows:

The purpose of this rule is to provide a registration mechanism that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation.

2.0 Applicability

This section identifies the applicability of the proposed rule. Proposed rule language is as follows:

This rule is applicable to owners or operators of equipment subject to California's Oil and Gas Regulation.

3.0 Definitions

Definitions are provided to assist a reader's understanding of the rule.

In response to comments received, several of the definitions have been revised, a new definition of Regulated Equipment has been added, and the definitions of Equipment Type and Stationary Source have been deleted.

Proposed rule language is as follows:

Unless otherwise defined, terms used in this rule are defined in California's Oil and Gas Regulation.

3.1 *Administrative Change: Minor changes to Registrations including, but not limited to the following:*

3.1.1 *Correction of typographical errors;*

3.1.2 *Removal of Registered Equipment from a Facility; and*

3.1.3 *Transfer of location of Registered Equipment within a Facility.*

3.2 *California's Oil and Gas Regulation: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, 17 CCR § 95665 et seq.*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

- 3.3 *CARB: California Air Resources Board.*
- 3.4 *Equipment Site: A single location within a Facility where Regulated Equipment is located.*
- 3.5 *Facility: As defined in 17 CCR § 95667 (a)(19), means any building, structure, or installation to which California's Oil and Gas Regulation applies and which has the potential to emit natural gas. Facilities include all buildings, structures, or installations which:*
 - 3.5.1 *Are under the same ownership or operation, or which are owned or operated by entities which are under common control;*
 - 3.5.2 *Belong to the same industrial grouping either by virtue of falling within the same two-digit standard industrial classification code or by virtue of being part of a common industrial process, manufacturing process, or connected process involving a common raw material; and*
 - 3.5.3 *Are located on one or more contiguous or adjacent properties.*
- 3.6 *Registered Equipment: An individual device subject to the requirements of California's Oil and Gas Regulation that has received a Registration under this rule.*
- 3.7 *Registration: A document issued by the District to the owner or operator of a Facility subject to California's Oil and Gas Regulation, which identifies Registered Equipment.*
- 3.8 *Regulated Equipment: Equipment having specific requirements under California's Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).*

4.0 Exemptions

Exemptions are included to indicate specific exemptions from the registration requirements of the rule.

In response to comments received revisions to this section were made to clarify that equipment not subject to the requirements of California's Oil and Gas Regulation is exempt from the requirements of Sections 5.0, 6.0, and 7.0 of this rule, but not Section 8.0 of this rule.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

Additionally, a specific exemption from registration requirements was added for circulation tanks for well stimulation treatments, as CARB confirmed that such operations were not considered to be a part of the oil and gas production facility.

Further this section was revised to more clearly state that owners or operators of equipment that is exempt from certain standards of California's Oil and Gas must document the basis for the exemption and maintain records of the basis of the exemption.

Proposed rule language is as follows:

- 4.1 *Equipment that is not subject to requirements of 17 CCR § 95668 (Standards) of California's Oil and Gas Regulation is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.*
 - 4.1.1 *Notwithstanding Section 4.1, circulation tanks for well stimulation treatments subject to 17 CCR § 95668(b) are exempt from the requirements of this rule.*
- 4.2 *Equipment exempted by the following sections of California's Oil and Gas Regulation are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall make such documentation readily available for District inspection upon request:*
 - 4.2.1 *Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);*
 - 4.2.2 *Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);*
 - 4.2.3 *Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and*
 - 4.2.4 *Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

5.0 Requirements

This section specifies the requirement to submit an application for a registration, the timing of such applications, and requirements for the District to issue registrations.

In response to comments received several revisions to the requirements were made. The deadline for submitting applications was extended until March 1, 2018, so that sufficient time is allowed for inventory submittal after the rule adoption date. Clarifying language was added to indicate that registration applications submitted to CARB by their deadline of January 1, 2018 satisfy the application deadline requirements of this rule. The deadline to submit applications for newly installed equipment and equipment transferred from a different owner or operator was increased from 7 to 30 days. The requirement that registrations are valid for a period of 5 years was deleted, since they are maintained in an up-to-date status under the provisions of the rule, and as such the registrations are valid indefinitely. Additional revisions were made for rule clarity.

Proposed rule language is as follows:

- 5.1 *The owner or operator of existing Regulated Equipment shall submit a complete initial Registration application to the District by March 1, 2018.*
 - 5.1.1 *Complete initial Registration applications submitted to CARB pursuant to California's Oil and Gas Regulation 17 CCR § 95674 (b)(2)(A), by January 1, 2018 satisfy this requirement, provided the application includes all information required by Section 6.0 (Registration Application) of this rule. In such cases, owners or operators are not required to submit a separate initial Registration application to the District.*
- 5.2 *The owner or operator of newly installed Regulated Equipment at a Facility shall submit a Registration application to the District within 30 days of the addition of Regulated Equipment.*
- 5.3 *The owner or operator of Registered Equipment transferred from a different owner or operator shall submit a Registration application to the District within 30 days of the transfer of Registered Equipment.*
- 5.4 *Existing equipment that becomes subject to the requirements of California's Oil and Gas Regulation through loss of exemption*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

shall submit a Registration application to the District within 60 days of loss of exemption.

- 5.5 *Replacement of existing Registered Equipment with the same type of Regulated Equipment at the same Equipment Site is exempt from the Registration application requirements of this rule.*
- 5.6 *The District shall issue the Registration within 90 days of receipt of a complete Registration application.*
- 5.7 *The owner or operator of Registered Equipment that is removed from a Facility, or that is transferred from one location to another within a single Facility, shall administratively revise the Registration no later than 30 days thereafter.*
- 5.8 *Administrative Change to an existing Registration does not require the submittal of a Registration application.*
- 5.9 *Registered Equipment is subject to District Rule 3156 (Fees for Registration of Equipment Subject to California's Oil and Gas Regulation).*
- 5.10 *All reporting pursuant to California's Oil and Gas Regulation, 17 CCR § 95673 (Reporting Requirements) shall be submitted to CARB.*
- 5.11 *Nothing in this rule waives any requirement of any District rule or regulation.*

6.0 Registration Application

This section specifies the minimum information to be submitted with an application for registration. The District has been working closely with CARB and the regulated industry to develop an application form to facilitate the consistent submittal of information and result in streamlined issuance of registrations.

In response to comments received and a further review of California's Oil and Gas Regulation, several revisions to the registration application requirements were made. The information required in a registration now reflects information only for the specific equipment that subject to the requirements of California's Oil and Gas Regulation. Additional information, including for equipment not subject to the requirements of California's Oil and Gas regulation has been removed from this section and moved to a new Section 8.0 CARB Data Inventory Requirement.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

The requirement to provide the specific location of registered equipment has been revised to not require such information for pneumatic devices and pumps and wells with casing vents open to the atmosphere. Further, for equipment grouped at a setting, only the location of the setting is required.

The District has not historically inspected certain types of equipment used at natural gas underground storage facilities. A list of specific equipment used at these facilities is required to accurately assess the District workload and associated fees that may be required to perform inspections at these facilities. As such, a requirement to submit a detailed listing of certain equipment used at these facilities has been added.

Finally, this section has been clarified such that for modifications to existing registrations, only the information relevant to the modification must be submitted.

The proposed rule language is as follows:

- 6.1 *A complete application for initial Registration or for a Facility newly subject to the registration requirements of this rule shall include the following:*
 - 6.1.1 *The owner or operator's name and contact information;*
 - 6.1.2 *The address or location of each Facility with Regulated Equipment subject to this rule;*
 - 6.1.3 *The District's Permit to Operate facility identification number(s) most closely associated with the Facility;*
 - 6.1.4 *A description of all Regulated Equipment covered by this rule located at each Facility including the following:*
 - 6.1.4.1 *Each separator and tank system, including the size of each tank and separator in barrels, and the Facility's unique identifiers;*
 - 6.1.4.2 *Each reciprocating natural gas compressor, including the Facility's unique identifier;*
 - 6.1.4.3 *Each centrifugal natural gas compressor, including the Facility's unique identifier;*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

- 6.1.4.4 *A count of all natural gas powered pneumatic devices and pumps at the Facility;*
- 6.1.4.5 *Each well casing vent open to the atmosphere, including the Facility's unique identifier;*
- 6.1.4.6 *For each natural gas underground storage Facility:*
 - 6.1.4.6.1 *Each separator system, including the Facility's unique identifier;*
 - 6.1.4.6.2 *Each dehydration system, including the Facility's unique identifier;*
 - 6.1.4.6.3 *Each odorizer skid, including the Facility's unique identifier;*
 - 6.1.4.6.4 *A list of all production and injection wells, including the Facility's unique identifiers;*
 - 6.1.4.6.5 *All reciprocating and centrifugal natural gas compressors, including the Facility's unique identifiers; and*
- 6.1.4.7 *The location of each piece of Registered Equipment at the Facility (UTM or latitude/longitude), except as follows:*
 - 6.1.4.7.1 *All natural gas powered pneumatic devices and pumps;*
 - 6.1.4.7.2 *For each piece of Registered Equipment grouped at a setting, such as separator and tank system, only the location of the setting is required; and*
 - 6.1.4.7.3 *All well casing vents open to the atmosphere.*
- 6.2 *A complete Registration application for newly installed Regulated Equipment and for transferred Registered Equipment from a different owner or operator shall include the following information:*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

6.2.1 *The new owner or operator's name and contact information;*

6.2.2 *The address or location of the associated Facility*

6.2.3 *The District's associated Registration number; and*

6.2.4 *A description of the Regulated Equipment to be installed or transferred from a different owner including:*

6.2.4.1 *The Facility's Regulated Equipment unique identifier; and*

6.2.4.2 *The Regulated Equipment location at the Facility (UTM or latitude/longitude), except as allowed Sections 6.1.4.7.1 through 6.1.4.7.3 of this rule.*

6.3 *Each Registration application specified in Sections 6.1 and 6.2 of this rule shall include an attestation that all information provided in the Registration application is provided by a party authorized by the owner or operator to do so, and that the information is true and correct.*

7.0 Registration Content

This section of the rule specifies the minimum information that will be included in registrations issued by the District.

The requirement that the registration include an expiration date has been deleted as registrations are required to be updated by owners or operators upon making changes to the regulated equipment.

The proposed rule language is as follows:

Each Registration issued under this rule shall include, at a minimum, the following:

7.1 *Facility name, District Permit to Operate facility identification number(s), and mailing address;*

7.2 *A list of equipment subject to the Registration;*

7.3 *Location where the equipment will be operated;*

7.4 *List of all applicable requirements at the time of Registration issuance or renewal; and*

7.5 The District's Registration number.

8.0 CARB Data Inventory Requirement

This section of the rule specifies a requirement to submit an equipment inventory to the District.

During the public workshop, CARB staff commented that, pursuant to their interpretation of California's Oil and Gas regulation, facilities must submit a complete inventory of equipment regardless of whether the equipment is subject to the requirements of California's Oil and Gas Regulation.

The District added this requirement and circulated two subsequent interim drafts of Rule 2260 to provide the maximum possible time for interested parties to review and comment. Some affected stakeholders provided comments opposing this requirement. However, as this requirement is based on CARB's interpretation of their own rule and is not a District-developed requirement, this data inventory requirement must be included in Rule 2260, or facilities will have to comply with CARB's January 1 submittal deadline.

The District rule requires that the initial inventory be submitted by March 1, 2018, but includes a provision that if CARB changes the requirement, or its timing, or does not ultimately require the submittal of this information, owners or operators will not be required to submit such information to the District, except as required by CARB. This Section also requires that the inventory information submitted initially be updated on an annual basis thereafter, as required by CARB.

The proposed rule language is as follows:

8.1 By March 1, 2018, and to the extent required by CARB, the owner or operator of facilities or equipment that are regulated by California's Oil and Gas Regulation shall submit the following required CARB Data Inventory information for each Facility to the District. This requirement is applicable for all equipment and operations listed below, including for equipment not subject to the requirements of Sections 5.0, 6.0, and 7.0 of this rule. The initial inventory pursuant to this section may be submitted concurrently with the initial Registration pursuant to section 5.1.

8.1.1 The owner or operators name and contact information;

8.1.2 The address or location of each Facility with equipment covered by California's Oil and Gas Regulation;

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

- 8.1.3 The number of crude oil or natural gas wells at the Facility;*
- 8.1.4 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;*
- 8.1.5 The annual crude oil, natural gas, and produced water throughput of the Facility;*
- 8.1.6 A list identifying all reciprocating and centrifugal natural gas compressors at the Facility; and*
- 8.1.7 A count of all natural gas powered pneumatic devices and pumps at the Facility.*
- 8.2 Updates to the information required in Section 8.1 must be submitted to the District by March 1 of the calendar year after the calendar year in which the information required above has changed.*

B. Rule 3156 Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

Staff held a public scoping meeting on June 6, 2017 to present possible options and solicited public input on those options and any suggestions for alternative options. As part of the scoping meeting the District discussed its costs of implementing California's Oil and Gas Regulation.

The District intends to implement all feasible streamlining efforts in implementing the rule to reduce, to the extent feasible, the workload for District staff and the associated cost to stakeholders.

In preliminary discussions CARB staff indicated that the State budget will include funding for California Districts to assist in recovering their costs for implementing California's Oil and Gas Regulation.

The funding expected in the State budget is a total of \$2 million in 2018 and a total of \$1.5 million per year thereafter to assist Districts in California to recover their costs of implementing California's Oil and Gas Regulation. CARB staff has indicated that these funds would be distributed to California Districts that will be implementing and enforcing California's Oil and Gas Regulation. The District's portion of this funding will be utilized to recover all or a portion of the costs of District implementation California's Oil and Gas Regulation.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

However, if the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the District's costs of implementing Rule 2260, the District must collect registration program fees from facilities subject to Rule 2260 to recover its costs of implementing California's Oil and Gas Regulation.

The District is developing a registration application system that will allow facilities to submit registration applications online. This online submittal of applications will require only minimal staff time in processing and issuing the registrations provided the applications are submitted in a District approved electronic format. Due to the streamlining of registration application submittals and issuance of registrations, no fees will be required for applications submitted in a District approved electronic format.

Annual registration fees are specified according to budgeted costs attributed for enforcement of the different standards specified in California's Oil and Gas Regulation. In establishing the fees to implement Rule 2260, the District examined the staff time required to perform similar duties as required by existing District rules. The fees described below reflect the estimated actual costs of implementing Rule 2260 after implementing all identified streamlining efforts.

Staff developed a draft rule and held a public workshop on October 20, 2017. Staff did not receive any comments on Rule 3156 during the comment period.

However, due to changes described above to Rule 2260, the fee schedule in Rule 3156 Section 4.2 Table 1 has been as revised to delete some unnecessary fee schedules and in other minor ways as further described below.

The following discussion describes Proposed Rule 3156, Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation.

The components of Rule 3156 include:

1.0 Purpose

This section identifies the purpose of the proposed rule. Proposed rule language is as follows:

The purpose of this rule is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

(Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

2.0 Applicability

This section identifies the applicability of the proposed rule. Proposed rule language is as follows:

This rule is applicable to owners or operators of equipment subject to Rule 2260 (Registration Requirements for Equipment Subject to California's Greenhouse Gas Oil and Gas Regulation).

3.0 Definitions

Definitions are provided for rule explanation and guidance. Proposed rule language is as follows:

Unless otherwise defined, terms used in this rule are defined in Rule 2260 (Registration Requirements for Equipment Subject to California's Greenhouse Gas Oil and Gas Regulation) and in California's Greenhouse Gas Oil and Gas Regulation.

3.1 CARB: California Air Resources Board

3.2 Fiscal Year: The 12-month period between July 1 and the following June 30, inclusive.

4.0 Registration Fees

As stated above, the District is expecting to be reimbursed from the State for the costs of implementing California's Oil and Gas Regulation. However, if no funds are available or if insufficient funds are available, the District will recover the costs of implementing California's Oil and Gas Regulation from facilities subject to the California's Oil and Gas Regulation.

Due to changes made to Rule 2260, District staff is proposing minor changes to the Fee Schedule in Section 4.2, Table 1 as described below.

The fee categories in Table 1 have been clarified such that Schedules A through D apply to Equipment at Facilities except Natural Gas Underground Storage facilities. Fee Schedules E through I apply to equipment at Natural Gas Underground Storage facilities.

The fee schedules in section 4.2 Table 1 have been revised to deleted fee schedules for two categories of equipment that are not required to be

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

registered: All Circulation Tanks for Well Stimulation Treatments at a Facility and All Liquids Unloading of Natural Gas Wells at a Facility.

The description of the fee schedule for all well casing vents has been revised such that it only applies to well casing vents open to the atmosphere.

The fee schedules for Natural Gas Production Operations and Crude Oil Production Operations have been revised such that the fee does not include Well Casing Vents Open to the Atmosphere that are listed in Table 1.

Proposed rule language is as follows:

4.1 Registration Application Filing Fee:

4.1.1 An application filing fee is not required for Registration applications submitted electronically in a format specified by the District.

4.1.2 The owner or operator of a Facility subject to Rule 2260 shall pay a data processing fee for the processing of Registration applications not submitted electronically in a format specified by the District. The fee shall be calculated using the staff hours expended and the prevailing weighted labor rate. Notwithstanding the provisions of Section 5.0, such fee shall be invoiced upon issuance of the Registration.

4.2 Annual Registered Equipment Fee: The owner or operator of a Facility subject to Rule 2260 is subject to the following annual fee schedules shown in Table 1 below.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

Table 1: Annual Registered Equipment Fees

<i>Equipment at Facilities Subject to Registration Under Rule 2260, Except at Natural Gas Underground Storage Facilities</i>		
<i>Schedule</i>		<i>Cost (\$ per year)</i>
<i>A -</i>	<i>Each Separator and Tank System subject to flash testing</i>	<i>\$60</i>
<i>B -</i>	<i>Each Separator and Tank System subject to Leak Detection and Repair</i>	<i>\$90</i>
<i>C -</i>	<i>All Reciprocating and Centrifugal Natural Gas Compressors at a Facility</i>	<i>\$190</i>
<i>D -</i>	<i>All Natural Gas Powered Pneumatic Devices and Pumps at a Facility (per 25 units or portion thereof)</i>	<i>\$145</i>
<i>E -</i>	<i>All Well Casing Vents Open to the Atmosphere at a Facility (per 10 wells or portion thereof)</i>	<i>\$60</i>
<i>F -</i>	<i>Natural Gas Processing Plant</i>	<i>\$90</i>
<i>G -</i>	<i>Natural Gas Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere),</i>	<i>\$135</i>
<i>H -</i>	<i>Crude Oil Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere)</i>	<i>\$100</i>
<i>Equipment at Natural Gas Underground Storage Facilities Subject to Registration Under Rule 2260</i>		
<i>Schedule</i>		<i>Cost (\$ per year)</i>
<i>I -</i>	<i>Separator System (per unit)</i>	<i>\$90</i>
<i>J -</i>	<i>Dehydration System (per glycol unit)</i>	<i>\$300</i>
<i>K -</i>	<i>Odorizer Skid (per skid)</i>	<i>\$30</i>
<i>L -</i>	<i>Production/Injection Wells (per 10 wells or portion thereof)</i>	<i>\$135</i>
<i>M -</i>	<i>All Reciprocating and Centrifugal Natural Gas Compressors at a Facility</i>	<i>\$190</i>

5.0 Registration Fee Notification

As stated above, the District is expecting to be reimbursed from the State for the costs of implementing California's Oil and Gas Regulation. However, if no funds are available or if insufficient funds are available the District, the District

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

will recover the costs of implementing California's Oil and Gas Regulation from facilities subject to the California's Oil and Gas Regulation.

If the District is fully reimbursed by CARB for the budgeted costs of implementing Rule 2260, no fees will be due for facilities subject to Rule 2260. If the District is reimbursed for a portion of its budgeted costs of implementing Rule 2260, all facilities will be assessed a fee on a prorated basis for the balance of the Districts costs that have not been reimbursed by CARB.

Proposed rule language is as follows:

5.1 Registration program fees due for each Facility shall be determined as follows:

5.1.1 By July 1 of each Fiscal Year, District costs to implement Rule 2260 shall be determined for that Fiscal Year (as determined in the District's Fiscal Year Budget). District costs are all costs associated with the program, including, but not limited to, staff time required to develop and modify the registration program, process and issue initial Registrations, modify existing Registrations, conduct ongoing inspections, and perform related support activities. District costs shall be based on Registrations in effect on July 1 of each Fiscal Year.

5.1.2 If the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the District costs of implementing Rule 2260 (as specified in section 5.2.1), the District shall collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs to implement Rule 2260 pursuant to Section 5.2.4.

5.1.3 The annual fee for each Facility shall be reduced by a prorated portion of the funds provided by CARB, determined as follows:

5.1.3.1 Determine the program funds balance: total District costs to implement Rule 2260 (determined per section 5.2.1) reduced by the annual funds received from CARB. If the program funds balance is less than or equal to zero, no registration program fees are due from individual Facilities;

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

- 5.1.3.2 *Determine the Facility's ratio: the Annual Registered Equipment Fees that should have been paid by each Facility according to Section 4.0, Registration Fees, divided by the total Annual Registered Equipment Fees for all Facilities.*
- 5.1.3.3 *Multiply the program funds balance by the Facility's ratio to determine the Registration Program Fee due from the Facility.*
- 5.1.4 *If no funds are provided by CARB, the Registration Program Fees due by each Facility are those specified in Section 4.0, Registration Fees of this rule.*
- 5.2 *If there are Registration Program Fees due for a Facility, the District shall provide the owner or operator with an invoice for the Registration Program Fees within 30 days District receipt of annual implementation funds from CARB.*
- 5.3 *Registration Program Fees shall be due within 60 days of the date of the District invoice.*
- 5.4 *Registration Program Fees not paid in accordance with deadlines specified in this section shall be subject to late fees in accordance with the schedule provided in Rule 3010, Section 11.0, Late Fees.*
- 5.5 *Nonpayment of registration fees and all related late fees within 90 days of the original invoice date may result in suspension or cancellation of the registration.*

IV. RULE AMENDMENT PROCESS

A. Public Workshop

District staff hosted a public scoping meeting on June 6, 2017, to solicit input on implementation options for California's Oil and Gas Regulation. A public workshop was held on October 20, 2017, to present the draft rule. The focus of the public workshop was to present the proposed rules and to solicit public feedback. The public workshop was held via video teleconferencing in all three District offices and livestreamed using the webcast.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

Comments received subsequent to the workshop resulted in significant changes to Rule 2260. As a courtesy to affected stakeholders, and to provide the maximum possible time to review and comment, on November 1, 2017 and November 15, 2017 interim drafts of Rule 2260 were prepared and circulated to interest parties. Comments and responses are included in Appendix C.

No public comments were received on Rule 3156.

B. Public Hearing

In accordance with California Health and Safety Code (CH&SC) Section 40725, the proposed District Rule 2260 and 3156 and final draft staff report will be publicly noticed and made available on the District's website prior to the Governing Board public hearing to consider adoption of the proposed rules. The adoption hearing is scheduled for December 21, 2017.

V. COST EFFECTIVENESS AND SOCIOECONOMIC IMPACT ANALYSES

Pursuant to State law, the District is required to analyze the cost effectiveness of any proposed rule that implements Best Available Retrofit Control Technology (BARCT). The proposed rules do not add BARCT requirements. Therefore, the rules are not subject to the cost effectiveness analysis mandate.

Pursuant to State law, the District is also required to analyze the socioeconomic impacts of any proposed rule that significantly affects air quality or strengthens an emission limitation. The proposed rules will have neither effect, since they are merely setting forth an administrative process by which to enforce and comply with the existing California's Oil and Gas Regulation; therefore, the proposed rules are not subject to the socioeconomic analysis mandate.

VI. RULE CONSISTENCY ANALYSIS

Pursuant to CH&SC Section 40727.2(g) a rule consistency analysis of the proposed rules are not required, because the proposed rules do not strengthen emission limits or impose more stringent monitoring, reporting, or recordkeeping requirements. Instead, these rules are merely setting forth an administrative process by which to enforce and comply with the existing California's Oil and Gas Regulation.

VII. ENVIRONMENTAL IMPACTS

The purpose of Rule 2260 is to provide facilities with a registration that satisfies the requirements of, and will ensure compliance with, the California Air Resources Board (ARB) requirements of the California Code of Regulations Title 17, Division 3, Chapter 1, Subchapter 10: Climate Change, Article 4, Subarticle 13: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities. The purpose of Rule 3156 is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260.

The District's adoption of rules to enforce ARB rules and regulations has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment (CEQA Guidelines Section 15378(a)), because the underlying ARB rules and regulations are in effect whether or not the District takes action, and ARB will directly enforce the regulations if the District chooses not to. According to Section 15378(b)(5) of the CEQA Guidelines, organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment are not included within the definition of a "project" which is subject to CEQA.

In addition, CEQA Guidelines Section 15061(b)(3) provides, "Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." The District finds that the proposed rules consist exclusively of enforcing ARB regulations through a registration requirement without involving any new emissions requirements, and that no significant environmental impacts will occur due to the adoption of these rules. Therefore, the rules are exempt from CEQA.

Therefore, pursuant to Section 15062 of the CEQA Guidelines, staff will file a Notice of Exemption upon Governing Board approval of Rule 2260 and Rule 3156.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

December 21, 2017

APPENDICES

- Appendix A:** Final Proposed Rule 2260, Registration Requirements for Equipment Subject to California's Oil and Gas Regulation
- Appendix B:** Final Proposed Rule 3156, Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation
- Appendix C:** Public Workshop (October 20, 2017)
Summary of Comments Received and District Responses
Comment Letters Received

APPENDIX A

Final Proposed Rule 2260 Registration Requirements For Equipment Subject To California's Oil And Gas Regulation December 21, 2017

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO CALIFORNIA'S OIL AND GAS REGULATION (Adoption date)

1.0 Purpose

The purpose of this rule is to provide a registration mechanism that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation.

2.0 Applicability

This rule is applicable to owners or operators of equipment subject to California's Oil and Gas Regulation.

3.0 Definitions

Unless otherwise defined, terms used in this rule are defined in California's Oil and Gas Regulation.

3.1 Administrative Change: Minor changes to Registrations including, but not limited to the following:

3.1.1 Correction of typographical errors;

3.1.2 Removal of Registered Equipment from a Facility; and

3.1.3 Transfer of location of Registered Equipment within a Facility.

3.2 California's Oil and Gas Regulation: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, 17 CCR § 95665 et seq.

3.3 CARB: California Air Resources Board.

3.4 Equipment Site: A single location within a Facility where Regulated Equipment is located.

3.5 Facility: As defined in 17 CCR § 95667 (a)(19), means any building, structure, or installation to which California's Oil and Gas Regulation applies and which has the potential to emit natural gas. Facilities include all buildings, structures, or installations which:

3.5.1 Are under the same ownership or operation, or which are owned or operated by entities which are under common control;

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

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- 3.5.2 Belong to the same industrial grouping either by virtue of falling within the same two-digit standard industrial classification code or by virtue of being part of a common industrial process, manufacturing process, or connected process involving a common raw material; and
 - 3.5.3 Are located on one or more contiguous or adjacent properties.
 - 3.6 Registered Equipment: An individual device subject to the requirements of California's Oil and Gas Regulation that has received a Registration under this rule.
 - 3.7 Registration: A document issued by the District to the owner or operator of a Facility subject to California's Oil and Gas Regulation, which identifies Registered Equipment.
 - 3.8 Regulated Equipment: Equipment having specific requirements under California's Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).
- 4.0 Exemptions
- 4.1 Equipment that is not subject to requirements of 17 CCR § 95668 (Standards) of California's Oil and Gas Regulation is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.
 - 4.1.1 Notwithstanding Section 4.1, circulation tanks for well stimulation treatments subject to 17 CCR § 95668(b) are exempt from the requirements of this rule.
 - 4.2 Equipment exempted by the following sections of California's Oil and Gas Regulation are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall make such documentation readily available for District inspection upon request:
 - 4.2.1 Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);
 - 4.2.2 Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

4.2.3 Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and

4.2.4 Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).

5.0 Requirements

5.1 The owner or operator of existing Regulated Equipment shall submit a complete initial Registration application to the District by March 1, 2018.

5.1.1 Complete initial Registration applications submitted to CARB pursuant to California's Oil and Gas Regulation 17 CCR § 95674 (b)(2)(A), by January 1, 2018 satisfy this requirement, provided the application includes all information required by Section 6.0 (Registration Application) of this rule. In such cases, owners or operators are not required to submit a separate initial Registration application to the District.

5.2 The owner or operator of newly installed Regulated Equipment at a Facility shall submit a Registration application to the District within 30 days of the addition of Regulated Equipment.

5.3 The owner or operator of Registered Equipment transferred from a different owner or operator shall submit a Registration application to the District within 30 days of the transfer of Registered Equipment.

5.4 Existing equipment that becomes subject to the requirements of California's Oil and Gas Regulation through loss of exemption shall submit a Registration application to the District within 60 days of loss of exemption.

5.5 Replacement of existing Registered Equipment with the same type of Regulated Equipment at the same Equipment Site is exempt from the Registration application requirements of this rule.

5.6 The District shall issue the Registration within 90 days of receipt of a complete Registration application.

5.7 The owner or operator of Registered Equipment that is removed from a Facility, or that is transferred from one location to another within a single Facility, shall administratively revise the Registration no later than 30 days thereafter.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

- 5.8 Administrative Change to an existing Registration does not require the submittal of a Registration application.
 - 5.9 Registered Equipment is subject to District Rule 3156 (Fees for Registration of Equipment Subject to California's Oil and Gas Regulation).
 - 5.10 All reporting pursuant to California's Oil and Gas Regulation, 17 CCR § 95673 (Reporting Requirements) shall be submitted to CARB.
 - 5.11 Nothing in this rule waives any requirement of any District rule or regulation.
- 6.0 Registration Application
- 6.1 A complete application for initial Registration or for a Facility newly subject to the registration requirements of this rule shall include the following:
 - 6.1.1 The owner or operator's name and contact information;
 - 6.1.2 The address or location of each Facility with Regulated Equipment subject to this rule;
 - 6.1.3 The District's Permit to Operate facility identification number(s) most closely associated with the Facility;
 - 6.1.4 A description of all Regulated Equipment covered by this rule located at each Facility including the following:
 - 6.1.4.1 Each separator and tank system, including the size of each tank and separator in barrels, and the Facility's unique identifiers;
 - 6.1.4.2 Each reciprocating natural gas compressor, including the Facility's unique identifier;
 - 6.1.4.3 Each centrifugal natural gas compressor, including the Facility's unique identifier;
 - 6.1.4.4 A count of all natural gas powered pneumatic devices and pumps at the Facility;
 - 6.1.4.5 Each well casing vent open to the atmosphere, including the Facility's unique identifier;

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

*Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's
Oil and Gas Regulation*

December 21, 2017

- 6.1.4.6 For each natural gas underground storage Facility:
 - 6.1.4.6.1 Each separator system, including the Facility's unique identifier;
 - 6.1.4.6.2 Each dehydration system, including the Facility's unique identifier;
 - 6.1.4.6.3 Each odorizer skid, including the Facility's unique identifier;
 - 6.1.4.6.4 A list of all production and injection wells, including the Facility's unique identifiers;
 - 6.1.4.6.5 All reciprocating and centrifugal natural gas compressors, including the Facility's unique identifiers; and
- 6.1.4.7 The location of each piece of Registered Equipment at the Facility (UTM or latitude/longitude), except as follows:
 - 6.1.4.7.1 All natural gas powered pneumatic devices and pumps;
 - 6.1.4.7.2 For each piece of Registered Equipment grouped at a setting, such as separator and tank system, only the location of the setting is required; and
 - 6.1.4.7.3 All well casing vents open to the atmosphere.
- 6.2 A complete Registration application for newly installed Regulated Equipment and for transferred Registered Equipment from a different owner or operator shall include the following information:
 - 6.2.1 The new owner or operator's name and contact information;
 - 6.2.2 The address or location of the associated Facility
 - 6.2.3 The District's associated Registration number; and

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

6.2.4 A description of the Regulated Equipment to be installed or transferred from a different owner including:

6.2.4.1 The Facility's Regulated Equipment unique identifier; and

6.2.4.2 The Regulated Equipment location at the Facility (UTM or latitude/longitude), except as allowed Sections 6.1.4.7.1 through 6.1.4.7.3 of this rule.

6.3 Each Registration application specified in Sections 6.1 and 6.2 of this rule shall include an attestation that all information provided in the Registration application is provided by a party authorized by the owner or operator to do so, and that the information is true and correct.

7.0 Registration Content

Each Registration issued under this rule shall include, at a minimum, the following:

7.1 Facility name, District Permit to Operate facility identification number(s), and mailing address;

7.2 A list of equipment subject to the Registration;

7.3 Location where the equipment will be operated;

7.4 List of all applicable requirements at the time of Registration issuance or renewal; and

7.5 The District's Registration number.

8.0 CARB Data Inventory Requirement

8.1 By March 1, 2018, and to the extent required by CARB, the owner or operator of facilities or equipment that are regulated by California's Oil and Gas Regulation shall submit the following required CARB Data Inventory information for each Facility to the District. This requirement is applicable for all equipment and operations listed below, including for equipment not subject to the requirements of Sections 5.0, 6.0, and 7.0 of this rule. The initial inventory pursuant to this section may be submitted concurrently with the initial Registration pursuant to section 5.1.

8.1.1 The owner or operators name and contact information;

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

- 8.1.2 The address or location of each Facility with equipment covered by California's Oil and Gas Regulation;
 - 8.1.3 The number of crude oil or natural gas wells at the Facility;
 - 8.1.4 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;
 - 8.1.5 The annual crude oil, natural gas, and produced water throughput of the Facility;
 - 8.1.6 A list identifying all reciprocating and centrifugal natural gas compressors at the Facility; and
 - 8.1.7 A count of all natural gas powered pneumatic devices and pumps at the Facility.
- 8.2 Updates to the information required in Section 8.1 must be submitted to the District by March 1 of the calendar year after the calendar year in which the information required above has changed.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

*Appendix A: Final Proposed Rule 2260 Registration Requirements for Equipment Subject to California's
Oil and Gas Regulation*

December 21, 2017

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APPENDIX B

PROPOSED RULE 3156 FEES FOR EQUIPMENT SUBJECT TO RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO CALIFORNIA'S OIL AND GAS REGULATION

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix B Proposed Rule 3156 Fees for Equipment Subject to 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

RULE 3156 FEES FOR EQUIPMENT SUBJECT TO RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO CALIFORNIA'S OIL AND GAS REGULATION (Adoption date)

1.0 Purpose

The purpose of this rule is to recover the District's costs of developing and maintaining an effective registration program, as required by Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

2.0 Applicability

This rule applies to owners or operators of equipment subject to Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation).

3.0 Definitions

Unless otherwise defined, terms used in this rule are defined in Rule 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation) and in California's Oil and Gas Regulation.

3.1 CARB: California Air Resources Board

3.2 Fiscal Year: The 12-month period between July 1 and the following June 30, inclusive.

4.0 Registration Fees

4.1 Registration Application Filing Fee:

4.1.1 An application filing fee is not required for Registration applications submitted electronically in a format specified by the District.

4.1.2 The owner or operator of a Facility subject to Rule 2260 shall pay a data processing fee for the processing of Registration applications not submitted electronically in a format specified by the District. The fee shall be calculated using the staff hours expended and the prevailing weighted labor rate. Notwithstanding the provisions of Section 5.0, such fee shall be invoiced upon issuance of the Registration.

2.0 Annual Registered Equipment Fee: The owner or operator of a Facility subject to Rule 2260 is subject to the following annual fee schedules shown in Table 1 below.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix B Proposed Rule 3156 Fees for Equipment Subject to 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

Table 1: Annual Registered Equipment Fees

Equipment at Facilities Subject to Registration Under Rule 2260, Except at Natural Gas Underground Storage Facilities		
Schedule		Cost (\$ per year)
A -	Each Separator and Tank System subject to flash testing	\$60
B -	Each Separator and Tank System subject to Leak Detection and Repair	\$90
C -	All Reciprocating and Centrifugal Natural Gas Compressors at a Facility	\$190
D -	All Natural Gas Powered Pneumatic Devices and Pumps at a Facility (per 25 units or portion thereof)	\$145
E -	All Well Casing Vents Open to the Atmosphere at a Facility (per 10 wells or portion thereof)	\$60
F -	Natural Gas Processing Plant	\$90
G -	Natural Gas Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere),	\$135
H -	Crude Oil Production Operation (per 10 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere)	\$100
Equipment at Natural Gas Underground Storage Facilities Subject to Registration Under Rule 2260		
Schedule		Cost (\$ per year)
I -	Separator System (per unit)	\$90
J -	Dehydration System (per glycol unit)	\$300
K -	Odorizer Skid (per skid)	\$30
L -	Production/Injection Wells (per 10 wells or portion thereof)	\$135
M -	All Reciprocating and Centrifugal Natural Gas Compressors at a Facility	\$190

5.0 Registration Program Fee Notification

5.1 Registration program fees due for each Facility shall be determined as follows:

- 5.1.1 By July 1 of each Fiscal Year, District costs to implement Rule 2260 shall be determined for that Fiscal Year (as determined in the District's Fiscal Year Budget). District costs are all costs associated with the program, including, but not limited to, staff time required to develop and modify the registration program, process and issue initial Registrations, modify

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

Appendix B Proposed Rule 3156 Fees for Equipment Subject to 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation

December 21, 2017

existing Registrations, conduct ongoing inspections, and perform related support activities. District costs shall be based on Registrations in effect on July 1 of each Fiscal Year.

- 5.1.2 If the District's allocation of funding from CARB in the State budget to implement California's Oil and Gas Regulation does not include sufficient funds to reimburse the District costs of implementing Rule 2260 (as specified in section 5.2.1), the District shall collect registration program fees from each Facility subject to Rule 2260 for the balance of District costs to implement Rule 2260 pursuant to Section 5.2.4.
- 5.1.3 The annual fee for each Facility shall be reduced by a prorated portion of the funds provided by CARB, determined as follows:
 - 5.1.3.1 Determine the program funds balance: total District costs to implement Rule 2260 (determined per section 5.2.1) reduced by the annual funds received from CARB. If the program funds balance is less than or equal to zero, no registration program fees are due from individual Facilities;
 - 5.1.3.2 Determine the Facility's ratio: the Annual Registered Equipment Fees that should have been paid by each Facility according to Section 4.0, Registration Fees, divided by the total Annual Registered Equipment Fees for all Facilities.
 - 5.1.3.3 Multiply the program funds balance by the Facility's ratio to determine the Registration Program Fee due from the Facility.
- 5.1.4 If no funds are provided by CARB, the Registration Program Fees due by each Facility are those specified in Section 4.0, Registration Fees of this rule.
- 5.2 If there are Registration Program Fees due for a Facility, the District shall provide the owner or operator with an invoice for the Registration Program Fees within 30 days District receipt of annual implementation funds from CARB.
- 5.3 Registration Program Fees shall be due within 60 days of the date of the District invoice.
- 5.4 Registration Program Fees not paid in accordance with deadlines specified in this section shall be subject to late fees in accordance with the schedule provided in Rule 3010, Section 11.0, Late Fees.
- 5.5 Nonpayment of registration fees and all related late fees within 90 days of the original invoice date may result in suspension or cancellation of the registration.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156

*Appendix B Proposed Rule 3156 Fees for Equipment Subject to 2260 Registration Requirements for Equipment Subject
to California's Oil and Gas Regulation*

December 21, 2017

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APPENDIX C

PUBLIC WORKSHOP (OCTOBER 20, 2017)

SUMMARY OF COMMENTS RECEIVED AND DISTRICT RESPONSES

COMMENT LETTERS RECEIVED

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

*Final Draft Staff Report for Proposed Rules 2260 and 3156
Appendix C: Comments Received and District Responses*

December 21, 2017

PUBLIC WORKSHOP (OCTOBER 20, 2017)

SUMMARY OF COMMENTS RECEIVED AND DISTRICT RESPONSES

COMMENT LETTERS RECEIVED

The San Joaquin Valley Unified Air Pollution Control District (District) held a public workshop to present, discuss, and hear comments on the draft Rules and draft staff report on October 20, 2017. As a result of comments received on Rule 2260, the District revised the draft Rule 2260. As a courtesy to affected stakeholders, and to provide the maximum possible time to review and comment, on November 1, 2017 and November 15, 2017, interim drafts of Rule 2260 were prepared and circulated to interest parties. No comments were received on draft Rule 3156.

Comments received since the public workshop are summarized below. A copy of the written comments received are attached at the end of this appendix.

EPA REGION IX COMMENTS:

No comments were received from EPA Region IX.

1) COMMENTS REGARDING DISTRICT IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION

We support the District's implementation of COGR. District implementation will minimize the administrative burden of complying with the rule.
(Aera, WSPA)

1) RESPONSE REGARDING DISTRICT IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION

Comment noted. In line with the District's core values of effectively and efficiently using public funds, the District will develop and utilize all feasible streamlining measures to implement COGR, thereby reducing administrative burden and minimizing the overall implementation costs to both the District and the regulated industry.

2) COMMENTS REGARDING INVENTORY REQUIREMENTS FOR ALL EQUIPMENT AT FACILITIES

Pursuant to California's Oil and Gas Regulation (COGR) Section 95674 (b)(2)(A), facilities must submit an initial inventory (and annual updates) of types of equipment specified in this section. This requirement includes equipment that is not subject to the requirements of COGR. As this is a requirement of COGR, Rule 2260 should be revised to require this inventory.
(ARB)

Aera is opposed to the registration of equipment that is not subject to the requirement of the rule, and that the text of the rule does not support this requirement. Therefore, the applicability of Rule 2260 should be clarified to reflect that only equipment owned or operated subject to the requirements of COGR must be registered pursuant to Rule 2260.
(Aera)

Aera is opposed to the need to provide a complete inventory of equipment as this requirement is not explicit in COGR.
(Aera)

Section 4.1 is confusing when read in conjunction with Section 8.0. Section 4.1 indicates that equipment not subject to the requirements of COGR must comply with Section 8.0. The only substantive requirements in Section 8.0 are for reciprocating and centrifugal natural gas compressors, and for natural gas driven pneumatic devices and pumps.
(Aera)

2) RESPONSE REGARDING INVENTORY REQUIREMENTS FOR ALL EQUIPMENT AT FACILITIES

The District believes that COGR Section 95674 (b)(2)(A) is unclear regarding if an inventory of all equipment specified in COGR is required regardless of whether the equipment is subject to the requirements in COGR. However, as CARB developed the rule, the interpretation of sections of the rule that are unclear is deferred to CARB.

The District originally interpreted Section 95674 (b)(2)(A) as applying only to equipment subject to the COGR requirements, but CARB has clarified their intent and interpretation of that section, and according to CARB, a "registration" of all equipment and related information is required. It is important to note that there is a fundamental difference in "registration" terminology between COGR and Rule 2260. In COGR, "registration" is intended to mean the submittal of a complete list of equipment covered in COGR, regardless of whether the equipment is actually subject to the requirements of COGR. However, in Rule 2260 a Registration is a document issued by the District to the owner or operator of a Facility subject to

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

California's Oil and Gas Regulation, which identifies device(s) subject to the requirements of COGR.

It must be noted that if Rule 2260 is not adopted as proposed, CARB will implement its own regulation and will require that all such equipment inventory information be submitted.

Therefore, Rule 2260 has been amended to include Section 8.0, CARB Data Inventory Requirement, which requires an initial inventory of all equipment covered by COGR Section 95674 (b)(2)(A) and annual updates thereafter. However, to address the industry concern that the District rule will require the submittal of equipment inventory information even if CARB does not require such data, Section 8.1 includes a provision that, if CARB does not ultimately require the submittal of this information, owners or operators will not be required to submit such information to the District.

Below is Section 8.0 in Proposed Rule 2260:

8.0 CARB Data Inventory Requirement

8.1 By March 1, 2018, and to the extent required by CARB, the owner or operator of facilities or equipment that are regulated by California's Oil and Gas Regulation shall submit the following required CARB Data Inventory information for each Facility to the District. This requirement is applicable for all equipment and operations listed below, including for equipment not subject to the requirements of Sections 5.0, 6.0, and 7.0 of this rule. The initial inventory pursuant to this section may be submitted concurrently with the initial Registration pursuant to Section 5.1.

8.1.1 The owner or operators name and contact information;

8.1.2 The address or location of each Facility with equipment covered by California's Oil and Gas Regulation;

8.1.3 The number of crude oil or natural gas wells at the Facility;

8.1.4 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;

8.1.5 The annual crude oil, natural gas, and produced water throughput of the Facility;

8.1.6 A list identifying all reciprocating and centrifugal natural gas

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

compressors at the Facility; and

8.1.7 A count of all natural gas powered pneumatic devices and pumps at the Facility.

8.2 Updates to the information required in Section 8.1 must be submitted to the District by March 1 of the calendar year after the calendar year in which the information required above has changed.

3) COMMENTS REGARDING CIRCULATION TANKS FOR WELL STIMULATION TREATMENTS

Circulation tanks associated with well stimulation treatment are typically owned and operated by contractors performing such work. Therefore, registration should not be required for circulation tanks for well stimulation treatments as such tanks are not owned or operated by a facility subject to COGR.
(Aera, WSPA)

The definition of Registration and Registered Equipment should be revised to make it clear that only equipment under the control of an owner or operator of a facility subject to COGR must be registered.
(WSPA)

Section 4.1.1 should be revised to be consistent with Section 4.1 in that it should clearly state that circulation tanks for well stimulation treatments are exempt from the requirements listed in Sections 5.0, 6.0, and 7.0 of Rule 2260.
(Aera)

3) RESPONSES REGARDING CIRCULATION TANKS FOR WELL STIMULATION TREATMENTS

The District agrees that only equipment that is owned or operated by a facility subject to COGR is subject to the registration requirements of Rule 2260. Section 2.0 (Applicability) clearly states that Rule 2260 only applies to owners or operators subject to COGR. Given the clear applicability of Rule 2260, no substantive changes to the definition of Registered Equipment and Registration have been made.

However, Rule 2260 Section 4.0 has been revised to include a specific exemption for circulation tanks for well stimulation treatments as these tanks are typically owned and operated by a third party. In verbal comments to the District, CARB also confirmed that as circulation tanks are not owned by the oil production companies and are temporary, short-term operations, they are not seen as a part of the facility, and should not be regulated by the District rule.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Below is revised Section 4.0 in Proposed Rule 2260:

4.0 Exemptions

4.1 Equipment that is not subject to requirements of 17 CCR § 95668 (Standards) of California's Oil and Gas Regulation is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.

4.1.1 Notwithstanding Section 4.1, circulation tanks for well stimulation treatments subject to 17 CCR § 95668(b) are exempt from the requirements of this rule.

4.2 Equipment exempted by the following sections of California's Oil and Gas Regulation are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall ~~be~~ make such documentation readily available for District inspection upon request:

4.2.1 Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);

4.2.2 Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);

4.2.3 Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and

4.2.4 Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).

4) COMMENTS REGARDING PROCESS FOR CHANGES TO REGISTRATIONS

Rule 2260 Section 5.3 requires owners or operates of registered equipment to notify the District when such equipment is sold. When equipment is sold it most often is sold to a vendor who in turn may scrap the equipment or refurbish the equipment for resale. As such, reporting the transfer of registered equipment will provide little value to the District.

(Aera)

The definition of Administrative Change should be revised to allow for additional minor changes to registrations.

(WSPA)

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

The notification requirements for changes to registered equipment should be changed from 7 days to 30 days.

(Berry, WSPA)

4) RESPONSES REGARDING PROCESS FOR CHANGES TO REGISTRATIONS

The District understands that 7 days may not allow for adequate time to revise an existing registration. Rule 2260 has been revised to increase the time period from 7 days to 30 days to submit registration applications for newly installed regulated equipment and for registered equipment transferred from a different owner or operator.

Additionally, Rule 2260 has been revised to expand the definition of administrative change has been revised to include minor changes to registrations, including but not limited to correction of typographical errors, removal of registered equipment from a facility, and transfer of location of registered equipment within a facility. The time period for making such administrative changes has been increased from 7 days to 30 days.

Finally, the requirement to notify the District when registered equipment is transferred to a different owner or operator (Previously Section 5.3) has been deleted.

Below are revised Sections 3.1, 5.2, 5.3, and 5.7 in Proposed Rule 2260:

- 3.1 *Administrative Change: Minor changes to Registrations including, but not limited to the following:*
 - 3.1.1 *Correction of typographical errors;*
 - 3.1.2 *Removal of Registered Equipment from a facility; and*
 - 3.1.3 *Transfer of location of Registered Equipment within a facility.*
- 5.2 *The owner or operator of newly installed Regulated Equipment at a Facility shall submit a Registration application to the District within 30 days of the addition of Regulated Equipment.*
- 5.3 *The owner or operator of Registered Equipment transferred from a different owner or operator shall submit a Registration application to the District within 30 days of the transfer of Registered Equipment.*
- 5.7 *The owner or operator of Registered Equipment that is removed from a Facility, or that is transferred from one location to another within a single*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Facility, shall administratively revise the Registration no later than 30 days thereafter.

5) COMMENTS REGARDING REPORTING REQUIREMENTS

We recommend that the reporting requirement of Rule 2260 be revised to require that all reporting be submitted to the District instead of CARB.
(Berry, WSPA)

5) RESPONSES REGARDING REPORTING REQUIREMENTS

All information reported in accordance with COGR will be shared between CARB and the District. CARB is investing significantly in automating the required reporting, and combining such reporting with their existing Greenhouse Gas Mandatory Reporting system. CARB has asked the District to require all such reporting to be made through the CARB system. The District will have access to records submitted to CARB as needed.

No substantive changes to the Rule have been made.

6) COMMENTS REGARDING REGISTRATION REQUIREMENTS

Section 5.1 as written appears to require that registration applications be submitted to District even if the District has not entered into a Memorandum of Understanding with CARB to implement COGR. We suggest rewording Section 5.1 to only require the submittal of an application to the District if there is a MOA between CARB and the District.
(WSPA)

Rule 2260 Section 5.1.1. should allow for the registration of equipment using the registration forms included in COGR Appendix A table A6 in the event that an alternative electronic application submittal process is delayed or the electronic process becomes unwieldy.
(Aera)

All wells are not subject to the standards of COGR, and as such, well counts should not be required to be registered. Only tanks and separators that are subject to the requirements of COGR should be required to be registered. Only compressors subject to the requirements of COGR should be registered. Only pneumatic devices and pumps to the requirements of COGR should be registered.
(WSPA)

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

The requirements in Section 6.4.4 to submit registration applications for compressors should be limited to units compressing natural gas.
(Aera)

6) RESPONSES REGARDING REGISTRATION REQUIREMENTS

The District will only propose adoption of Draft Rules 2260 and 3156 if CARB has signed the Memorandum of Agreement (MOA) prior to the Governing Board Hearing date. As such, there is no need to revise Section 5.1 to add language indicating that the registration application requirement is only applicable if there is an approved MOA.

Section 5.1.1 has been revised to not limit the submittal of registration applications in an electronic format only, provided the information submitted in an application contains all information required by Section 6.0 (Registration Application).

Section 5.1.1 has also been revised to clarify that if an owner or operator submits an application to CARB that includes all of the required information contained in Section 6.0 (Registration Application), a separate application is not required to be submitted to the District.

As the District intends to streamline the implementation of Rule 2260, the use of electronic applications in a District approved format will result in no data processing fees being required (pursuant to Proposed Rule 3156). Alternatively, if applications are not submitted in a District approved electronic format, owners or operators will be subject to a data processing fee as described in draft Rule 3156.

The exemption from registration in Section 4.1 has been revised to clearly indicate that equipment that is not subject to the standards of CGOR is exempt from the registration requirements of Rule 2260 in Section 5.0, 6.0, and 7.0.

Below are revised Sections 4.1 and 5.1.1 in Proposed Rule 2260:

4.1 Equipment that is not subject to requirements of 17 CCR § 95668 (Standards) of California's Oil and Gas Regulation is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.

5.1.1 Complete initial Registration applications submitted to CARB pursuant to California's Oil and Gas Regulation 17 CCR § 95674 (b)(2)(A), by January 1, 2018 satisfy this requirement, provided the application includes all information required by Section 6.0 (Registration Application) of this rule. In such cases, owners or operators are not required to submit a separate initial Registration application to the District.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

7) COMMENTS REGARDING REGISTRATION APPLICATION REQUIREMENTS

Section 6.0 should require detailed information for all regulated Equipment at a Facility for the initial registration application. Applications to modify registrations should only be required to provide information to document the proposed changes.
(Aera)

We do not believe that the location in UTM or lat/long coordinates should be required in Registration applications. Rather, we believe that quarter Section, Section, Township, and Range is sufficient to identify the location.
(WSPA)

The requirements in Section 6.4.4 to submit registration applications for compressors should be limited to units compressing natural gas.
(Aera)

7) REPONSES REGARDING REGISTRATION APPLICATION REQUIREMENTS

The requirements for initial applications are now described in Section 6.1. A new Section 6.2 specifies the application requirements for newly installed Regulated Equipment and for the transfer of Registered Equipment from a different owner or operator. The information required pursuant to Section 6.2 includes basic facility information and a description of the regulated Equipment to be installed or transferred from a different owner or operator. A complete resubmittal for all equipment is not required when making changes to an existing registration.

In developing this regulation and associated fee rule, the District has focused on minimizing resource needs to implement COGR and the corresponding cost to the District. Part of the efficiency built into the program is the ability to quickly locate and inspect equipment subject to the rule, and this requires knowledge of the precise location of equipment. The location in UTM or lat/long coordinates of equipment is readily available information with today's technologies and will directly contribute to reduce the overall costs of implementing COGR for the District, and ultimately for the affected facilities. Therefore, the requirement listed in Section 6.1.4.7 of the rule has been maintained.

However, the District recognizes a need to streamline this requirement to the extent possible, and so three such efficiency measures have been added. A new Section 6.1.4.7.1 has been added to not require the location of each pneumatic powered device and pump, which tend to be many in number. A new Section 6.1.4.7.2 has been added indicating that for registered equipment grouped at a setting, such as a separator and tank system, only the location of the setting is required. Finally, a new Section 6.1.7.4.3 has been added to not require the location of wells with open casing vents.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

The requirements to register centrifugal and reciprocating natural gas compressors have been clarified in revised Sections 6.1.4.2 and 6.1.4.3 of the rule.

Below are revised Sections 6.1.4.2, 6.1.4.3, 6.1.4.7, and 6.2 in Proposed Rule 2260:

*6.1.4 A description of all Regulated Equipment covered by this rule located at each Facility including the following:
[...]*

6.1.4.2 Each reciprocating natural gas compressors, including the Facility's unique identifier;

*6.1.4.3 Each centrifugal natural gas compressor, including the Facility's unique identifier;
[...]*

6.1.4.7 The location of each piece of Registered Equipment at the Facility (UTM or latitude/longitude), except as follows:

6.1.4.7.1 All natural gas powered pneumatic devices and pumps;

6.1.4.7.2 For each piece of Registered Equipment grouped at a setting, such as separator and tank system, only the location of the setting is required; and

6.1.4.7.3 All well casing vents open to the atmosphere.

6.2 A complete Registration application for newly installed Regulated Equipment and for transferred Registered Equipment from a different owner or operator shall include the following information:

6.2.1 The new owner or operator's name and contact information;

6.2.2 The address or location of the associated Facility

6.2.3 The District's associated Registration number; and

6.2.4 A description of the Regulated Equipment to be installed or transferred from a different owner including:

*6.2.4.1 The Facility's Regulated Equipment unique identifier;
and*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

6.2.4.2 *The Regulated Equipment location at the Facility (UTM or latitude/longitude), except as allowed Sections 6.1.4.7.1 through 6.1.4.7.3 of this rule.*

8) COMMENTS REGARDING INCONSISTENT TERMINOLOGY

The definition of Stationary Source is no longer needed, as it was used in a section of the rule that has been deleted.

(Aera)

Section 4.2 as written is a recordkeeping requirement, and not an exemption. This section should be revised to clearly state that the subject equipment is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of Rule 2260

(Aera)

Sections 5.1 and 5.2 use two different terms “existing equipment” and Regulated Equipment” that are likely intended to have the same meaning. Section 5.1 should be revised to use consistent terminology relating to requirements for existing equipment. In the draft rule, the heading for Section 5.2 appears to have been deleted. Consistent terminology should be used in these sections.

(Aera)

Section 5.3 is unclear as written.

(Aera)

Section 5.7 uses the term “relocated within a facility” whereas in the definition of Administrative Change, the term “transfer of location”. Consistent terminology should be used. Additionally, Sections 5.7 and 5.8 should be combined to indicate when an application is required for an Administrative Change.

(Aera)

8) RESPONSES REGARDING INCONSISTENT TERMINOLOGY

The definition of Stationary Source in Section 3.0 has been deleted as this term is no longer used in Rule 2260.

Section 4.2 has been revised to clearly state that the equipment listed in sections 4.2.1 through 4.2.4 is exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of Rule 2260.

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Sections 5.1 and 5.2 have been revised to use a newly defined term in Section 3.8 for “Regulated Equipment” to refer to equipment that is subject to the requirements of California’s Oil and Gas regulation.

Section 5.3 has been revised for clarity regarding the requirement for owners or operators of registered equipment transferred from a different owner or operator to submit a registration application to the District within 30 days.

Section 5.7 specifies the requirements for certain administrative changes to registrations. To be consistent with the wording in Section 3.1 regarding administrative changes, Section 5.7 has been revised to use the wording “... transferred from one location to another within a single Facility...”.

Section 5.8 is clear as written. No changes have been made to this section.

Below are revised Sections 3.8, 4.2, 5.1, 5.2, 5.3, and 5.7.

- 3.8 *Regulated Equipment: Equipment having specific requirements under California’s Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).*
- 4.2 *Equipment exempted by the following sections of California’s Oil and Gas Regulation are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California’s Oil and Gas Regulation, and shall make such documentation readily available for District inspection upon request:
[...]*
- 5.1 *The owner or operator of existing Regulated Equipment shall submit a complete initial Registration application to the District by March 1, 2018.*
 - 5.1.1 *Complete initial Registration applications submitted to CARB pursuant to California’s Oil and Gas Regulation 17 CCR § 95674 (b)(2)(A), by January 1, 2018 satisfy this requirement, provided the application includes all information required by Section 6.0 (Registration Application) of this rule. In such cases, owners or operators are not required to submit a separate initial Registration application to the District.*
- 5.2 *The owner or operator of newly installed Regulated Equipment at a Facility shall submit a Registration application to the District within 30 days of the addition of Regulated Equipment.*
- 5.3 *The owner or operator of Registered Equipment transferred from a different owner or operator shall submit a Registration application to the*

SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT

Final Draft Staff Report for Proposed Rules 2260 and 3156
Appendix C: Comments Received and District Responses

December 21, 2017

*District within 30 days of the transfer of Registered Equipment.
[...]*

- 5.7 *The owner or operator of Registered Equipment that is removed from a Facility, or that is transferred from one location to another within a single Facility, shall administratively revise the Registration no later than 30 days thereafter.*



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OCT 30 2017

SJVAPCD
Southern Region

Jenifer Pitcher

Senior Coordinator, SJV Production

October 20, 2017

San Joaquin Valley Air Pollution Control District
Attention: Mr. Dave Warner, Deputy APCO
1990 E. Gettysburg Ave.
Fresno, CA 93726

Sent via email: dave.warner@valleyair.org

Re: WSPA Comments on SJVAPCD Proposed Rules 2260 (Registration Requirements for Equipment Subject to California's Oil and Gas Regulation) and 3156 (Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation)

Dear Mr. Warner:

The Western States Petroleum Association (WSPA) appreciates the opportunity to provide comments on the San Joaquin Valley Air Pollution Control District's (SJVAPCD or "District") proposed Rules 2260 and 3156 Registration Requirements for Equipment Subject to the California Air Resources Board (CARB) Oil and Gas Regulation ("Methane Rule"). WSPA is a non-profit trade association representing companies that explore for, produce, refine, transport and market petroleum, petroleum products, natural gas, and other energy supplies in California and four other western states.

WSPA has worked with CARB since 2014 on the development of the new Oil and Gas Regulation under AB32 (Methane Rule). During the final stages of rulemaking, WSPA and our members have discussed implementation of the regulation with SJVAPCD staff extensively. After reviewing the draft of the proposed District Rules 2260 and 3156, we see that many of our previous concerns have been addressed. We appreciate the District seriously considering the industry's concerns and making the appropriate provisions in the proposed rules. WSPA believes it is important that the final rules be consistent with other current SJVAPCD programs.

After careful review of the draft language, WSPA's main concerns with Rule 2260 as proposed revolve around the following areas: 1. Administrative Change; 2. Aggregation of Equipment; 3. Submittal of Registration Applications; 4. Notification Requirements; 5. Transfer of Equipment; 6. Reporting Requirements; and 7. Registration Applications.

General Comment

WSPA believes that the Air District should serve as the agency responsible for the implementation of the methane rule. Our comments on the October 20, 2017 draft version of proposed Rule 2260 are discussed below and our proposed changes to the rule are shown on the "redline/strikeout" version of the draft rule included as Attachment-I.

WSPA supports the District's approach to only requiring equipment subject to the methane rule be registered. Registering equipment specifically exempted by the methane rule will be a recordkeeping burden

on subject facilities with no corresponding air quality benefits. If CARB wants a list of equipment at oil and gas facilities in the state, it should conduct a survey similar to the ones it has conducted in the past.

Specific Comments

Administrative Change

The current definition of an administrative change allows for the correction of typographical errors. We believe that other minor corrections should also be allowed and we propose that the definition be revised accordingly.

Aggregation of Equipment

We agree with the District proposal to aggregate facility equipment based on criteria specified in the definition of a Facility at Section 3.6. With respect to establishing the boundary of the facility, we believe that the phrase "contiguous or adjacent" is synonymous with touching. We believe that the two digit standard industrial classification code (SIC) should be used as the basis for evaluating industrial groupings. Finally, we believe that when aggregating equipment to be included within the designated facility, the equipment must be under the same ownership or control as the facility where the equipment is located. Equipment not owned or under the control of the facility operator, need not be included as registered equipment for that facility. Consequently, we have proposed several changes to the definition of "registered equipment" and "registration" which we believe more accurately reflect these requirements. These suggested changes have been included in the redline/strikeout version included as Attachment-I.

Submittal of Registration Applications

Section 5.1 requires that owners and operators of existing equipment subject to the requirements of the methane rule submit complete registration applications to the District within 60 days of the date of adoption of Rule 2260. We agree with this requirement. As stated previously, we believe that the Air District is the agency best suited for the implementation of the regulation.

Section 5.1.1 requires that owners and operators electronically submit registration applications to the CARB. Registration with the District is allowed pursuant to Section 95674(2)(A) of the "Oil and Gas Regulation," provided the District and the CARB execute a "Memorandum of Agreement" (MOA). It was our understanding that the District intended to enter into such an agreement.

As currently structured, Section 5.1 in conjunction with Section 5.1.1 would requires that owners and operators apply for registrations under both the CARB regulation and District Rule 2260. Consequently, we recommend that Section 5.1 be revised such that registration with the District would be required pursuant to the executions of the MOA between the District and the CARB.

Notification Requirements

Section 5.2 and Section 5.3 specify notification requirements. These sections require that notifications be submitted to the District for certain activities with 7 days of their occurrence. We believe that notification within such a short time frame will be a recordkeeping burden to subject facilities with no subsequent air quality benefits. WSPA recommends that Section 5.2 and Section 5.3 be revised to allow for up to 30 days for notification following the occurrence of the event.

Transfer of Location of Equipment in the Same Facility

In Section 5.7, the District is proposing that the transfer of equipment between sites within the same facility be subject to an application for “transfer of location.” We disagree. With respect to Rule 2260 the transfer of location of equipment between sites only requires that the location of the equipment be updated. We believe that this simple change should be treated as an “administrative change” and that operators be allowed to correct the location within 30 days of the initial operation at the new location.

Reporting Requirements

Section 5.11 of the Regulation requires that all reports be submitted to the CARB. We have discussed this issue several times with the District and we continue to believe that reports should be submitted to the Air District. We recommend that Section 5.11 be revised to require reporting pursuant to the agency designated in the execution of the MOA between the District and CARB.

Registration Applications

Section 6.4.1 (Well Counts)

Review of §95674 and associated Table A6 of the COGR indicate that the number of wells and the annual production of oil, water, and condensate associated with registration of a facility are intended to be general information to provide a sense of the scope of the facility and not to register these wells as equipment subject to a standard.

Section 6.4.2 (Tanks, Vessels, Sumps, etc.)

Section 6.4.2 requires a list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels. As discussed above, this requirement should only apply to equipment that is subject to requirement of the regulation and is not otherwise exempt pursuant to the CARB regulation or Section 4.0 of this rule. Separator-tank systems, tanks, vessels, and other equipment that is already controlled (i.e. equipped with a vapor recovery system) and equipment subject to LDAR and repair requirements established by District prohibitory rules adopted prior to January 1, 2018 or included on District permits requirements need not be registered. . Additionally, tanks, sumps, and ponds that are not included as part of the separator and tank system definition in Section 95667(a)(57) of the methane rule should also be clearly exempted from registration.

With respect to the registration of tanks, the District should be aware of the difference between registering circulation tanks as compared to registering the other equipment in the regulation. While most of the equipment subject to the regulation is part of a stationary source, the circulation tanks are not. Circulation Tanks meet Draft Rule 2260 Definition 3.7 for Registered Equipment since they are individual devices subject to the requirements of California’s Oil and Gas Regulation. However, this equipment is typically operated for less than a day and is onsite for less than a week for any particular well stimulation treatment. The equipment is owned and operated by the contractor who is performing the service of cleaning the sand out of the well after a Well Stimulation Treatment (WST). The contractor may move the tank from well to well within a Facility if several WST’s are performed in succession, but it then leaves the facility with the rest of the contractor’s equipment.

Given the definition of Facility in the CARB regulation and in Section 3.6 of this rule, WSPA believes that the obligation for the registration of the circulation tanks rests with the equipment owner (i.e. the well

servicing contractor). We also believe that the required notifications in Section 5.7 would be the responsibility of the well servicing contractor and would apply when the circulation tank is brought on to the Facility and when it is removed from the Facility, but not when it is moved from place to place within the Facility.

Section 6.4.4 (Compressors)

Section 6.4.4 requires that a list of all reciprocating and centrifugal gas compressors be provided. The list should exclude compressors exempted pursuant to the CARB regulation and the exemptions provided in Section 4.0 of this rule.

We also request that a comma and the word "natural" be inserted in the Section 6.4.4 requirement following the word "centrifugal." The requirements would read "...reciprocating or centrifugal, natural gas compressors."

Section 6.4.5 (Pneumatic Devices and Pumps)

Section 6.4.5 requires that a list of all gas powered pneumatic devices and pumps at the facility be provided. The list should exclude those pneumatic devices and pumps that are exempt from the requirements of the rule.

Section 6.4.6 (Equipment Location)

Section 6.4.6 requires that the location (longitude and latitude or UTM coordinates) of the equipment be provided. We believe that such a requirement is unnecessary. We believe that the quarter section, section, township and range are sufficient for locating registered equipment. Operators could alternatively provide the longitude and latitude or UTM coordinates if they desire.

Thank you for your consideration of WSPA's comments. If you have any questions, please contact me at this office or email jpitcher@wspa.org.

Sincerely,



Attachment-I

WSPA Proposed Changes
To the October 20, Draft Version of Rule 2260

Redline/Strikeout Showing
WSPA Proposed Changes to Rule 2260

DRAFT October 20, 2017

RULE 2260 REGISTRATION REQUIREMENTS FOR EQUIPMENT SUBJECT TO
CALIFORNIA'S OIL AND GAS REGULATION (Adoption date)

1.0 Purpose

The purpose of this rule is to provide a registration mechanism that satisfies the requirements of and will ensure compliance with California's Oil and Gas Regulation.

2.0 Applicability

This rule is applicable to owners or operators of equipment subject to California's Oil and Gas Regulation.

3.0 Definitions

Unless otherwise defined, terms used in this rule are defined in California's Oil and Gas Regulation.

- 3.1 Administrative Change: Correction of typographical errors or other minor corrections as specified in this rule.
- 3.2 California's Oil and Gas Regulation: Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, 17 CCR § 95665 et seq.
- 3.3 CARB: California Air Resources Board.
- 3.4 Equipment Site: A single location within a Facility where equipment is located.
- 3.5 Equipment Type: Equipment having specific requirements under California's Oil and Gas Regulation, 17 CCR § 95668 (a) through (h).
- 3.6 Facility: As defined in 17 CCR § 95667(a)(19), means any building, structure, or installation to which this subarticle applies and which has the potential to emit natural gas. Facilities include all buildings, structures, or installations which:
 - 3.6.1 Are under the same ownership or operation, or which are owned or operated by entities which are under common control;
 - 3.6.2 Belong to the same industrial grouping either by virtue of falling within the same two-digit standard industrial classification code or by virtue of being part of a common industrial process, manufacturing process, or connected process involving a common raw material; and,
 - 3.6.3 Are located on one or more contiguous or adjacent properties.

- 3.7 Registered Equipment: An individual device under the under the same ownership as the at facility that is subject to the requirements of California's Oil and Gas regulation.
- 3.8 Registration: A document issued by the District to the owner or operator of a Facility subject to California's Oil and Gas Regulation, which ~~document~~ identifies facility registered equipment that is registered pursuant to the requirements of the California's Oil and Gas Regulation ~~at the Facility~~.
- 3.9 Stationary Source: As defined in Rule 2201 (New and Modified Stationary Source Review Rule).

4.0 Exemptions

- 4.1 Equipment that is not subject to the standards of California's Oil and Gas Regulation is exempt from the registration requirements of this rule.
- 4.2 Owners or operators shall maintain documentation of the basis of any exemption claimed under the following sections of California's Oil and Gas Regulation, and shall make such documentation readily available for District inspection upon request:
 - 4.2.1 Separator and tank systems exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (a)(2);
 - 4.2.2 Reciprocating natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (c)(2);
 - 4.2.3 Centrifugal natural gas compressors exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95668 (d)(2); and
 - 4.2.4 Leak detection and repair exemptions specified in California's Oil and Gas Regulation, 17 CCR § 95669 (b).

5.0 Requirements

- 5.1 Pending the executions of a Memorandum of Agreement between the District and the California Air Resource Board, the owner or operator of existing equipment subject to the requirements of California's Oil and Gas Regulation shall submit a complete registration application to the District by [60 days from rule adoption date
 - 5.1.1 Complete applications submitted electronically to California's Oil and Gas Regulation pursuant to 17 CCR § 95674 (b)(2)(A) by January 1, 2018 satisfy this requirement, provided the application includes the District's Permit to Operate facility identification number most closely associated with the equipment to be registered.

- 5.2 The owner or operator of newly installed equipment at an Equipment Site, or Registered Equipment whose ownership is transferred from a different owner or operator shall submit a registration application within 30 7 days of the addition of equipment, removal of equipment, or transfer of equipment.
- 5.3 Owners or operators of Registered Equipment shall notify the District in writing within 30 7 days of transferring the Registered Equipment to a different owner or operator.
- 5.4 Existing equipment that becomes subject to the requirements of California's Oil and Gas Regulation through loss of exemption shall submit an electronic application in a format specified by the District within 60 days of loss of exemption.
- 5.5 Replacement of existing Registered Equipment with equipment of the same Equipment Type at the same Equipment Site is exempt from the registration application requirements of this rule.
- 5.6 The District shall issue the registration within 90 days of receipt of a complete registration application.
- 5.7 ~~The owner or operator of~~ Registered Equipment ~~shall not be that is~~ transferred from one Equipment Site to another, ~~unless an application for transfer of~~ shall administratively correct the location of said unit is filed with the District no later than 30 7 days after initial operation at the new Equipment Site.
- 5.8 Administrative Change to an existing registration does not require the submittal of a registration application.
- 5.9 Initial registrations shall be valid for a period of up to 5 years ~~or until the expiration date of the Stationary Source's Permits to Operate, whichever is sooner.~~ The District shall renew the registration every five years pending the payment of all applicable annual fees and compliance with all applicable requirements.
- 5.10 Equipment subject to this rule is subject to District Rule 3156 (Fees for Registration of Equipment Subject to California's Oil and Gas Regulation).
- 5.11 All reporting shall be submitted to the California Air Resources Board, in accordance with California's Oil and Gas Regulation, until such time that reporting to the District is allowed pursuant to a Memorandum of Understanding executed between the District and CARB.

5.12 Nothing in this rule waives any requirement of any District rule or regulation.

6.0 Registration Application

A complete registration application shall include, but is not limited to, the following information:

- 6.1 The owner or operator's name and contact information;
- 6.2 The address or location of each Facility with equipment subject to this rule;
- 6.3 The District's Permit to Operate facility identification number most closely associated with the equipment to be registered;
- 6.4 A description of all equipment covered by this rule located at each Facility including the following:
 - 6.4.1 The number of crude oil or natural gas wells at the Facility (not including abandoned wells or observation wells);
 - 6.4.2 A list identifying the pressure vessels, tanks, separators, sumps and ponds at the Facility, including the size of each tank and separator in units of barrels;
 - 6.4.3 The annual crude oil, natural gas, and water production of the Facility;
 - 6.4.4 A list identifying all reciprocating and centrifugal, natural gas compressors at the Facility;
 - 6.4.5 A count of all natural gas powered pneumatic devices and pumps at the Facility;
 - 6.4.6 The location of each piece of Registered Equipment at the Facility by Quarter, Section, Township and Range (UTM or latitude/longitude may alternatively be provided); and
 - 6.4.7 For each Equipment Type of Registered Equipment, the corresponding District permit numbers, if applicable, of all District permits issued for the Registered Equipment.
- 6.5 An attestation that all information provided in the registration application is provided by a party authorized by the owner or operator to do so, and that the information is true and correct.

7.0 Registration Content

Each registration issued under this rule shall include, at a minimum, the following:

- 7.1 Facility name, District Permit to Operate facility identification number, and mailing address;
- 7.2 A list of equipment subject to the registration;
- 7.3 Location where the equipment will be operated;
- 7.4 List of all applicable requirements at the time of registration issuance or renewal;
- 7.5 The registration expiration date; and
- 7.6 The registration number.

Leonard Scandura

From: Reza, Shamim <sreza@bry.com>
Sent: Monday, October 30, 2017 12:39 PM
To: Leonard Scandura
Subject: Berry's Comments on Rule 2260

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OCT 30 2017

SJVAPCD
Southern Region

Dear Mr. Scandura,

Below please find our comments on the Draft Rule 2260:

1. Section 5.2: Please reconsider to increase the registration time from 7 days to 30+ days
2. Section 5.7: Please reconsider to increase the registration time from 7 days to 30+ days
3. Section 5.11: Can all reporting to be submitted to APCD instead of to ARB?
4. Section 6.4.6: Instead of registering UTM for each piece of equipment, It can be done for a group of equipment, specially for wells
5. Would APCD conduct any inspection in addition to their Rule 4401/4409 inspection?

Thank you



Shamim Reza | Sr. EH&S Rep. | Direct: (661) 616-3889 | Cell: (661) 717-1634

Be Safe...For What Matters Most!

NOV 01 2017

Leonard Scandura

SJVAPCD

Southern Region

From: Haley JE (John) at Aera <JEHaley@aeraenergy.com>
Sent: Wednesday, November 1, 2017 12:27 PM
To: Leonard Scandura
Cc: Shue PA (Peggy) at Aera; Arnaud Marjollet; Mike Oldershaw; Steven Davidson
Subject: RE: interim draft Rule 2260 available

Leonard:

I have only completed a cursory review, but wanted to provide some initial thoughts. I will give you a call later today to discuss.

- ? Section 3.9: Is the definition of stationary source needed? The term was used in Section 5.9, which is struck out in the latest version of Rule 2260.
- ? Section 4.1: This section is very confusing when read in conjunction with new Section 8.0. This section implies that non-Regulated Equipment needs to comply with Section 8.0. The only substantive requirements for equipment in Section 8.0 is for reciprocating and centrifugal natural gas compressors (Section 8.1.4) and natural gas driven pneumatic devices (Section 8.1.5), which are all Regulated Equipment and subject to Sections 5.0, 6.0 and 7.0. What types of equipment will ever fall under Section 4.1 and Section 8.0?
- ? Section 5.0: The District uses the term "Regulated Equipment" in defining requirements for new equipment in Section 5.2 (formerly Section 5.2), but uses the phrase "existing equipment subject to the requirements of California's Oil and Gas Regulation" for existing equipment in Section 5.0. The same terminology needs to be used for both new and existing equipment or the reader thinks the District intended there to be a difference.
- ? Former Section 5.2: Did the District intend to delete the heading for former Section 5.2?
- ? Former Section 5.3: This is no longer a complete sentence.
- ? Section 8.0: See Section 4.1 above.

Thanks

John E. Haley

Aera Energy LLC

Office: (661) 665-5279

Cellular: (661) 747-5031

From: Leonard Scandura [mailto:Leonard.Scandura@valleyair.org]**Sent:** Wednesday, November 01, 2017 10:39 AM

To: Jenifer Pitcher (jpitcher@wspace.org) <jpitcher@wspace.org>; clark@iopa.org; Willie Rivera <willie@cipa.org>; Colby L. Morrow (clmorrow@semprautilities.com) <clmorrow@semprautilities.com>; Kris Rickards <Kristopher.Rickards@chevron.com>; Haley JE (John) at Aera <JEHaley@aeraenergy.com>; Tim Alburger <alburgert@srcx.com>; Shams Hasan <shasan@ebresources.com>; Dennis Champion (dennis.champion@crc.com) <dennis.champion@crc.com>; Shamim Reza (SReza@bry.com) <SReza@bry.com>; Tony Phan <tphan@trinityconsultants.com>; Joe Selgrath <selgrath@envirotechteam.com>; mike.kelly@vectorenmvironmental.com; Nyarady, Jim@ARB <jim.nyarady@arb.ca.gov>; Fischer, Joe@ARB (Joe.Fischer@arb.ca.gov) <Joe.Fischer@arb.ca.gov>
Cc: Arnaud Marjollet <Arnaud.Marjollet@valleyair.org>; Mike Oldershaw <Mike.Oldershaw@valleyair.org>; Steven Davidson <Steven.Davidson@valleyair.org>
Subject: [External] interim draft Rule 2260 available

Greetings –

As a courtesy to the stakeholders, we have posted an interim draft Rule 2260 that reflect changes resulting from comments received to date, see http://www.valleyair.org/Workshops/postings/2017/10-20-17_R2260/interim-draft-rule.pdf.

A new Section 8.0, CARB Data Inventory Requirement, has been added, at the request of CARB. This section, consistent with CARB's interpretation of their regulation, requires an initial inventory of equipment (and annual updates) for types of equipment specified in the rule, including equipment that is not subject to the requirements of the CARB rule.

It is important to note that this data inventory requirement is different from equipment registration. Only equipment that is subject to the requirements of the CARB rule will be issued District Registrations under this rule.

The adoption process of Rule 2260 is moving quickly with a targeted adoption hearing date of December 21, 2017. The rule must be adopted by December 21, 2017, to allow regulated industry to submit the initial registration information to the District. If not adopted prior to January 1, 2018, all information required by the rule must be submitted to CARB. The purpose of this interim release of the draft rule is to provide interested parties the maximum possible time to review and comment before the rule is adopted. The Final Draft rule and the District Staff Report that explains the rule (and changes from the initial draft rule), will be released no later than November 15, 2017.

If you have comments or questions, please contact Leonard Scandura at leonard.scandura@valleyair.org or at 661-392-5601, as soon as possible.

Thank You



October 30, 2017

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SJVAPCD
Southern Region

Leonard Scandura, P.E.
Permit Services Manager
San Joaquin Valley Air Pollution Control District
34946 Flyover Court
Bakersfield, CA 93308

RE: Comments on Draft Rule 2260

Dear Mr. Scandura:

Aera Energy LLC (Aera) is an independent oil and gas producer with operations in Fresno and Kern Counties. At an October 20, 2017 workshop, the San Joaquin Valley Air Pollution Control District (District) requested input on draft Rules 2260 and 3156 intended to implement the California's *Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities* which the District refers to by the acronym "COGR". As Aera's operations will be impacted by this rulemaking, Aera appreciates the opportunity to provide the following information.

In general, Aera supports the District's proposal in Rule 2260 to develop a streamlined registration process. Such a program will minimize the administrative burden of the regulation and allow all involved to focus on complying with the substantive requirements of the COGR. Aera is providing the below comments for your consideration with the intention to improve draft Rule 2260.

Scope of Equipment Registrations

At the October 20, 2017 workshop, Mr. Jim Nyrady of the California Air Resources Board stated that the registrations should not be limited to equipment actually impacted by the COGR. It appeared that Mr. Nyrady believed that the COGR mandated a full inventory of equipment within the oilfields. There has been speculation on two potential reasons for this proposed broad interpretation of the scope of the registration:

1. ARB could believe that there is a need to register all equipment to verify which equipment is subject to a standard specified in the COGR. In other words, operators

would need to register equipment not impacted by the COGR to demonstrate that such equipment is not impacted by the COGR.

2. ARB could believe that registering all equipment will provide a more complete equipment inventory for potential future analyses.

Neither of these reasons are supported by the regulation or historical compliance interactions. There is a long history of permitting equipment subject to air pollution controls and relying on compliance inspections to enforce such requirements. In fact, this could be characterized as a high level overview of the longstanding relationship between the District and regulated industries. It was Aera's understanding that the California Air Resources Board wanted to maintain this relationship by including 17 CCR §95674 that allows for delegation of the implementation and enforcement of the COGR to local air districts. Once authority is delegated locally, District staff will enforce the requirements of the COGR by performing facility inspections, which is the same process used to enforce all of the other District's obligations. It is difficult to understand why this proven enforcement method will not be effective in implementing the COGR.

The need for a complete equipment inventory is not contemplated in the COGR. The stated purpose of the COGR in 17 CCR §95665 is "to establish greenhouse gas emission standards for crude oil and natural gas facilities". There is no reference to establishing an evergreen equipment inventory that may or may not be useful in the future. The California Air Resources Board already has methods at its disposal to develop equipment inventories. For example, the California Air Resources Board developed a detailed equipment inventory in 2007 that was relied upon in drafting the COGR (<https://www.arb.ca.gov/cc/oil-gas/industry-survey.htm>). As there are existing tools that can be used to develop equipment inventories, it is not reasonable to assert the COGR necessitates an equipment inventory.

Lastly, a plain reading of the COGR does not support the need to register equipment not impacted by the regulation. 17 CCR §95674 (b)(2)(A) states "owners or operators of facilities or equipment that are regulated by this subarticle shall register the equipment at each facility". The term "regulated" is not defined in the regulation, but the Merriam-Webster dictionary defines "regulate" as "to govern or direct according to rule" (www.merriam-webster.com/dictionary/regulate). Accordingly, equipment not governed or directed by the rule is not required to be registered. For example 17 CCR §95668 (a)(2)(C) exempts "separator and tank systems that are controlled as of January 1, 2018". As this equipment is not regulated by the COGR, these separators and tanks are not required to be registered. Therefore, a complete equipment inventory is not required by the regulation.

Clarify Applicability of Rule 2260

Based on Aera's active involvement in the development of the COGR over the past few years, it is Aera's understanding that only equipment subject to a standard in 17 CCR §95668 is considered for registration. From the recent workshop, the District shares this view, but Aera is concerned that draft Rule 2260 as currently written could be construed as more expansive. The crux of this concern is the use of the undefined term "equipment" versus relying on the phrase "equipment type" that is well defined in the draft rule. Aera suggests that following sections of Rule 2260 be modified as follows to clearly specify the equipment subject to registration.

2.0 This rule is applicable to owners or operators of equipment types subject to California's Oil and Gas Regulation.

5.1 The owner or operator of existing equipment types ~~subject to the requirements of California's Oil and Gas Regulation~~ shall submit a complete registration application to the District by [60 days from rule adoption date].

5.2 The owner or operator of newly installed equipment (within a defined equipment type) at an Equipment Site, or Registered Equipment transferred from a different owner or operator shall submit a registration application within 7 days of the addition of equipment, removal of equipment, or transfer of equipment.

Registration Option

The COGR contains a default registration program that should be allowed under Rule 2260. The registration program established in 17 CCR §95674 (b)(2)(A) requires the submittal of the information specified in Appendix A Table A6 to the California Air Resources Board (copy of Table A6 is attached). Aera requests that the submittal of Table A6, in any format unless specifically limited by the COGR, be allowed. This will provide a method to comply with the COGR registration requirements should delays occur in finalizing an alternative registration program or electronic submittal becomes unwieldy. Aera believes that only minor changes to draft Section 5.1.1 of Rule 2260 are needed.

5.1.1 Complete applications submitted ~~electronically to CARB and the District pursuant to California's Oil and Gas Regulation pursuant to (17 CCR § 95674 (b)(2)(A) and Appendix A Table A6)~~ by January 1, 2018 satisfy this requirement, provided the application includes the District's Permit to Operate facility identification number most closely associated with the equipment to be registered.

Circulation Tanks

Circulation tanks associated with well stimulation treatments are owned and operated by the contractor performing such work. These tanks are usually at a location for a day or two then moved to another location within the facility or offsite completely. As the California Air Resources Board did not include WST circulation tanks in their default registration form Appendix A Table A6, the COGR does not require these tanks to be registered. To clarify such point, Aera requests that Section 3.5 of Rule 2260 be modified as follows:

3.5 Equipment Type: Equipment having specific requirements under the following sections of California's Oil and Gas Regulation; 17 CCR §95668 (a) and 17 CCR §95668 (c) through (h).

Registered Equipment Definition

The draft definition of "registered equipment" should be simplified and made more concise.

3.7 Registered Equipment: An individual device ~~subject to the requirements of California's Oil and Gas regulation~~ covered by a registration issued pursuant to this rule.

Notification of Equipment Sales

It is uncommon for Aera to sell used equipment to other oil production companies. Such equipment is normally sold to a vendor who may end up recycling the device for its scrap value, refurbish the equipment for resale, or resale directly to another party. For the most part, Aera is not informed of the ultimate disposition of the used equipment. Accordingly, Aera questions the value of notifying the District when registered equipment is sold. Is the District proposing to track the used equipment from Aera to vendor to scrap dealer or from Aera to vendor to an out-of-state user? Attempting to track used equipment will be burdensome and provide little value. Therefore, Aera requests that Section 5.3 of draft Rule 2260 be deleted and the District rely on the oil production companies registering equipment new to the facility as necessary.

Registration of Compressors

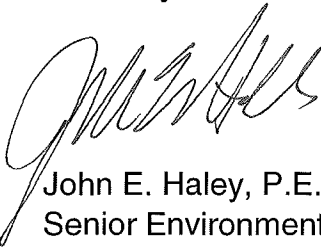
The registration of centrifugal and reciprocating compressors should be limited to those units compressing natural gas.

Mr. Leonard Scandura
October 30, 2017
Page 5

6.4.4 A list identifying all reciprocating and centrifugal natural gas compressors at the Facility.

Aera appreciates the opportunity to provide input during the rulemaking process. Should you have any questions, please feel free to contact Peggy Shue at (661) 665-5689 or me at (661) 665-5279.

Sincerely,

A handwritten signature in black ink, appearing to read 'John E. Haley', is written over the printed name.

John E. Haley, P.E.
Senior Environmental Engineer

cc: Peggy Shue, Aera Energy LLC

Table A6
Reporting and Registration Form for Facilities

[illegible]

*By signing this form, I am attesting that I am authorized to do so, and that the information provided is true and correct.



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SJVAPCD
Southern Region

November 8, 2017

Leonard Scandura, P.E.
Permit Services Manager
San Joaquin Valley Air Pollution Control District
34946 Flyover Court
Bakersfield, CA 93308

RE: Comments on Interim Draft Rule 2260

Dear Mr. Scandura:

Aera Energy LLC (Aera) is an independent oil and gas producer with operations in Fresno and Kern Counties. On November 2, 2017, the San Joaquin Valley Air Pollution Control District (District) posted an interim draft of Rule 2260 intended to implement the California's *Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities* which the District refers to by the acronym "COGR". As Aera's operations will be impacted by this rulemaking, Aera appreciates the opportunity to provide the following information.

In general, Aera supports the District's proposal in Rule 2260 to develop a streamlined registration process. On October 30, 2017, Aera provided several suggestions to improve draft Rule 2260. Aera is providing the following additional comments on the interim draft version of Rule 2260.

Section 4.1.1: Aera believes that the same terminology should be consistently used throughout the draft Rule unless the District intends to make a distinction. Any such distinction(s) should be clear to the reader. Sections 4.1 and 4.1.1 of draft Rule 2260 appear to share the same intent, to exempt equipment from registration requirements, but different wording is used in each section. To clarify intent, Aera suggests that the same wording be utilized for both sections.

4.1.1 Notwithstanding Section 4.1, circulation tanks for well stimulation treatments subject to 17 CCR §95668(b) are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule.

Section 4.2: As currently written, Section 4.2 is a recordkeeping requirement and not an exemption. Aera suggests that the section be modified to exclude equipment that meets an exemption in the COGR from the registration requirements.

4.2 Equipment listed in Sections 4.2.1 through 4.2.4 are exempt from the registration requirements of Sections 5.0, 6.0, and 7.0 of this rule. Owners or operators shall maintain documentation of the basis of any exemption ~~claimed under the following sections of California's Oil and Gas Regulation,~~ and shall make such documentation readily available for District inspection upon request.

Section 5.1: Aera would again stress that the same terminology should be used throughout the rule, unless there is a different intent. Proposed Section 5.1 specifies requirements for existing equipment, while Section 5.2 outlines the requirements for new equipment. Although this appears to be the intent of these sections, the District uses the phrase "owner or operator of existing equipment subject to the requirements of California's Oil and Gas Regulation" in Section 5.1, but a different phrase "owner or operator of newly installed Regulated Equipment at a Facility" is used in Section 5.2. Again, assuming the only intended difference is defining existing versus new equipment, the wording should be consistent between these two sections.

5.1 The owner or operator of existing Regulated Equipment at a Facility ~~subject to the requirements of California's Oil and Gas Regulation~~ shall submit a complete registration application to the District by March 1, 2018.

Section 5.7 and 5.8: Once again Aera stresses that terminology should remain consistent throughout the rule whenever possible. In Section 5.7 the phrase "relocated within a single Facility" is used, while "transfer of location of Registered Equipment within a facility" is used in Section 3.1.3. In addition, Sections 5.7 and 5.8 should be combined to clarify when an application is required for an administrative change. Aera recommends that Section 5.7 be reworded as follows and that Section 5.8 be deleted.

5.7 Except as provided in Sections 5.7.1 and 5.7.2, administrative changes to an existing registration do not require the submittal of a Registration application.

5.7.1 Within 30 days of removal of Registered Equipment from a facility, the owner or operator shall submit an application to administratively revise the Registration.

5.7.2 Within 30 days of transfer of location of Registered Equipment within a facility, the owner or operator shall submit an application to administratively revise the Registration.

Section 6.0: The extensive documentation listed in this section should only be required for initial registration applications. Applications to modify a registration should only include the information needed to document the proposed change(s).

6.0 A complete initial Registration application for a facility shall include, but is not limited to, the following information:

6.6 Applications to revise a Registration need only to include the information listed in Sections 6.1 through 6.5 that are proposed to be modified.

Section 8.0: Proposed Section 8.0 requires a detailed inventory of all pressure vessels, tanks, separators, sumps and ponds be developed within a couple of months of rule adoption. In an October 30, 2017 letter commenting on Draft Rule 2260, Aera demonstrated that an equipment inventory is not required by the COGR. Although operators understand their process equipment and can identify the equipment subject to the Standards in the COGR, a detailed inventory of minor equipment not subject to the standards cannot be expected to be developed, submitted, and annually renewed as contemplated in Section 8.0. To demonstrate this, the following description expands on how Aera would approach preparing such an equipment inventory with the intention that these comments can provide some context to the scope of such an undertaking.

Aera has a mature maintenance program in place that includes an equipment database. The database is populated with equipment information used to assist in maintenance planning and scheduling. It is not, nor is it intended to be, an inventory of all oilfield equipment. Currently, there are approximately 2,400 vessels logged in the program excluding vessels associated with compressed air. Further, there are approximately 2,000 tanks in the maintenance inventory. Accordingly, building an inventory of pressure vessels, tanks, and separators would start with around 4,400 data points.

To build an inventory for Section 8.0 of draft Rule 2260 Aera's first step would be to verify that this initial inventory is complete in scope and accurate. For example, the definition of "pressure vessel" in 17 CCR §95667(a)(50) states "a hollow container used to hold gas or liquid and rated, as indicated by an ASME pressure rating stamp, and operated to contain normal working pressures of at least 15 psig." This is not necessarily the same definition used by Aera's database. In downloading the list of 2,400 vessels from the database, Aera assumed that the District would want to exclude air compressors, but such vessels are not specifically excluded from the definition of "pressure vessel". Including vessels holding compressed air would significantly expand the inventory. This leaves us with a question of which vessels from the database are expected to be included

in the draft Rule 2260 inventory. These types of questions will need to be carefully answered to define the scope of the equipment inventory.

To determine that the initial inventory is complete, a person knowledgeable of each oilfield process would need to review their portion of the list and confirm that each vessel still exists and that no other equipment is missing from the inventory. This would involve Aera staff interviewing numerous people and multiple field inspections.

After verifying the initial equipment inventory is accurate and complete, each line item will have to be compared to the definitions in the COGR and additional information gathered and documented. Examples of information that will have to be collected for each piece of equipment is provided below.

- The equipment in the database is not separated by the definition of “facility” as contained in Rule 2260. Aera personnel will have to manually assign the correct facility name to each item.
- Rule 2260 states that the “size of each tank and separator in units of barrels” be provided. The volumes of some vessels and tanks have been entered into the database, but the data set is far from complete. Aera personnel will have to estimate volumes in barrels and backfill the missing volumes.
- The definition of tank and pressure vessel contained in the COGR is not consistent with the way equipment is categorized in the maintenance database. The COGR separates tanks and vessels by a working pressure of 15 psig. Aera personnel will have to evaluate each tank and vessel in the inventory as to its rating and normal working pressure to determine whether the equipment meets the definition of a “tank” or of a “pressure vessel”.
- The definitions of “tank” and “pressure vessel” contained in the COGR overlap with the definition of “separator”. For example, a freewater knockout vessel will be considered both a “pressure vessel” and a “separator”. Aera personnel will have to determine which pieces of equipment meet multiple definitions and therefore need to be listed more than once.

Once the scope of the inventory is defined, a process will need to be developed to keep the inventory evergreen. Keeping the inventory up-to-date will be necessary as draft Rule 2260 proposes that all changes to the inventory be reported to the California Air Resources Board annually. Tracking new, modified, or removed equipment will likely require substantial changes to the maintenance database (or other tool).


As currently proposed, the preparation of the equipment inventory will be unnecessarily complicated and time consuming resulting in cost to industry that was not included in the ARB economic analysis. In reviewing the rulemaking documents we could not find any

Mr. Leonard Scandura
November 8, 2017
Page 5

discussion of an air quality benefit to requiring such an inventory. Aera questions whether the California Air Resources Board understands their request for such a detailed equipment inventory as unrealistic deadlines are proposed.

Aera appreciates the opportunity to provide input during the rulemaking process. Should you have any questions, please feel free to contact Peggy Shue at (661) 665-5689 or me at (661) 665-5279.

Sincerely,

A handwritten signature in black ink, appearing to read 'John Haley', with a stylized flourish at the end.

John E. Haley, P.E.
Senior Environmental Engineer

cc: Peggy Shue, Aera Energy LLC

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment G:

MEMORANDUM OF AGREEMENT
(12 PAGES)

**MEMORANDUM OF AGREEMENT BETWEEN
THE CALIFORNIA AIR RESOURCES BOARD
AND THE
SAN JOAQUIN VALLEY UNIFIED AIR POLLUTION CONTROL DISTRICT
REGARDING IMPLEMENTATION AND ENFORCEMENT OF GREENHOUSE GAS
EMISSION STANDARDS FOR CRUDE OIL AND NATURAL GAS FACILITIES**

1. PARTIES

This Memorandum of Agreement is entered into by and between the California Air Resources Board (“CARB” or “Board”) and the San Joaquin Valley Unified Air Pollution Control District (“District”). CARB and the District are collectively referred to herein as “the Parties.”

2. PURPOSE

- 2.1 The Parties, two government agencies, share a common goal of protecting the People of the State of California through regulation and enforcement of air pollutant emission reduction programs and implementing this task in an efficient manner. By entering into this Memorandum of Agreement (“MOA”) the Parties commit to efficiently pursuing this common goal, considering their respective financial constraints and available resources, and recognizing the very substantial emissions control efforts many districts already have in place at regulated facilities.
- 2.2 Oil and gas systems are responsible for approximately 15 percent of methane emissions in California. CARB has promulgated regulations controlling methane emissions from oil and gas systems in response to the mandates of AB 32, the California Global Warming Solutions Act of 2006^[1], SB 32 (codifying 2030 greenhouse gas reduction targets), SB 1383^[2] (codifying methane reduction targets and call for a Short-Lived Climate Pollutant Strategy), and SB 887^[3] (mandating leak detection program enhancements at underground natural storage facilities), among other authorities. AB 398 (2017), which amended the California Global Warming Solutions Act of 2006, explicitly preserved the districts’ authority to adopt or implement “[a] rule, regulation, standard, or requirement authorized pursuant to a law affecting emissions associated with . . . methane” and reiterated CARB’s authority to “adopt, maintain or revise . . . [m]easures governing methane and fugitive emissions at refineries and oil and gas facilities.”
- 2.3 This MOA is intended to: (1) provide for the coordination of the Parties’ efforts to implement and enforce the Regulation for Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities, as considered by the Board and effective on January 1, 2018 (hereinafter “CARB Oil and Gas Regulation”); (2) create a framework by which CARB and the District can help owners and operators of oil and gas operations meet both local, state and federal requirements; and, (3) further a collaborative model that builds upon the Parties’ extensive implementation and enforcement experience.

^[1] Health & Saf. Code, § 3850, et seq.

^[2] Health & Saf. Code, § 39730, et seq.

^[3] Health & Saf. Code, § 42710, et seq.

- 2.4 Nothing in this MOA shall limit, extend, or otherwise modify the existing authority of the Air Board or the District.

3. BACKGROUND

- 3.1 Powers of CARB. Pursuant to California Health and Safety Code section 39603, CARB may enter into agreements for services as necessary for the performance of its powers and duties, including powers and duties arising under AB 32 and other greenhouse gas control statutes.
- 3.2 Powers of District. Pursuant to California Health and Safety Code section 40701, the District may enter into agreements with a state agency as necessary or proper to accomplish the purposes of Division 26 of the Health and Safety Code. One such purpose is for the District to enter into an MOA with CARB in order to coordinate enforcement of CARB's Oil and Natural Gas Regulation.
- 3.3 Responsibilities under State Law. Under California law, CARB is the state agency charged with monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases (Health and Safety Code § 38510), and CARB is to monitor compliance with and enforce any regulation it adopts pursuant to AB 32 (Health and Safety Code § 38580). CARB is further charged with reducing statewide methane emissions by 40 percent from 2013 levels by 2030. (Health and Safety Code § 39730.5). Pursuant to Health and Safety Code sections 39002 and 40000, districts have primary responsibility for control of air pollution from all sources other than vehicular sources; and, pursuant to Health and Safety Code section 40001, districts shall, subject to the Board's powers and duties, enforce all applicable provisions of state and federal law.
- 3.4 Coordinated Effort. In Health and Safety Code § 39001, the Legislature declares that a coordinated state, regional, and local effort to protect and enhance ambient air quality should be encouraged whenever possible. In Health and Safety Code section 38501, the Legislature stated its intent for the Board to design greenhouse gas emission reduction regulations to complement the state's efforts to improve air quality and to consult with various stakeholders in implementing AB 32.
- 3.5 The Scoping Plan and the Short-Lived Climate Pollutant Reduction Strategy. Pursuant to Health and Safety Code § 38561, the board approved the 2008 Climate Change Scoping Plan, and the First Update to the Climate Change Scoping Plan. Both Plans included the regulation of oil and gas operations. Board Resolution 08-47 adopting the Climate Change Scoping Plan directed CARB's Executive Officer to "design greenhouse gas regulations that affect stationary sources so that they utilize, to the extent practical and appropriate, local air district permitting programs and compliance determination mechanisms." Further, pursuant to Health and Safety Code §39730 and 39730.5, CARB has a Short-Lived Climate Pollutant Reduction Strategy, which includes a recommended comprehensive approach to reduce methane from oil and gas systems.

- 3.6 Applicable Federal Law: In 2012 and 2016, pursuant to §§ 111(b) and 111(h) of the Clean Air Act, (CAA) the U.S. Environmental Protection Agency (EPA) codified pollution control requirements for the oil and gas production sector in 40 C.F.R. Part 60 Subparts OOOO and OOOOa, which amended existing regulations governing VOC and SO₂ emissions from natural gas processing plants. Subpart OOOO updates the earlier standards for VOC and SO₂ emissions, and establishes VOC standards for oil and natural gas sources not covered by existing regulations. Subpart OOOOa sets standards for both VOC and methane emissions as well as expanding regulatory obligations for new oil and gas sources. Many sources regulated by CARB's Oil and Gas Rule are also subject to Subparts OOOO and OOOOa. Additionally, EPA has issued Control Technique Guidelines (CTGs) for reducing VOC emissions in existing ozone nonattainment areas, which some districts and CARB will need to address in ozone state implementation plans. Further, while EPA's current NSPS regulations only apply to new sources, future § 111 regulations may expand to address existing oil and gas operations as well. In 2016, the Bureau of Land Management (BLM) also finalized regulations that limit methane emissions from operations on federal lands primarily to prevent waste, codifying those regulations at 43 C.F.R. Parts 3100, 3160, and 3170.
- 3.7 CARB Oil and Gas Regulation. In implementing its plans and carrying out its responsibilities under state law, the Board has adopted the "Greenhouse Gas Emission Standards for Crude Oil and Natural Gas Facilities," effective in final form on October 1, 2017. The adopted regulations are set forth at California Code of Regulations, title 17, sections 95665 through 95677, and Appendices A, B, and C thereto.
- 3.7.1 California Code of Regulations, title 17, section 95674 explicitly affirms CARB's Executive Officer's discretion to enter into an agreement with any air quality management or air pollution control district ("district") to cooperatively and jointly implement and enforce the CARB Oil and Gas Regulation.
- 3.7.2 Section 95674 further provides that pursuant to such an agreement, an owner or operator of an oil or gas operation subject to this regulation must pay any fees assessed by the District for the purpose of recovering the District's cost of implementing and enforcing the CARB Oil and Gas Regulation.
- 3.7.3 Section 95674 further provides that District implementation and enforcement of other law as described in Section 95675 cannot result in a standard, requirement, or prohibition less stringent than provided in the Regulation, as determined by CARB's Executive Officer.
- 3.7.4 CARB Board Resolutions 16-9 and 17-10 express the Board's understanding that it is appropriate for CARB staff to work with Districts to develop and consider agreements with Districts to implement and enforce the CARB Oil and Gas Regulation.

3.8 Authority to Coordination Enforcement

3.8.1 CARB Enforcement Authority

3.8.1.1 Health and Safety Code section 39515 directs the Board to appoint an Executive Officer, who shall serve at the pleasure of the Board, and provides that the Board may delegate any duty to the Executive Officer that the Board deems appropriate, except that certain statutory reviews by the Executive Officer of district attainment plan activities are subject to the California Administrative Procedure Act, Government Code sections 11340 et seq.

3.8.1.2 Health and Safety Code section 39516 provides that any power, duty, purpose, function, or jurisdiction which the Board may lawfully delegate shall be conclusively presumed to have been delegated to the Executive Officer unless it is shown that the Board, by affirmative vote recorded in its minutes, specifically has reserved the same for the Board's own action.

3.8.1.3 Resolution 78-10, adopted by the Board on February 23, 1978, identifies powers, duties, purposes, functions and jurisdictions that the Board has specifically reserved unto itself. Regulation 05-40, requires Board approval of certain memoranda of understanding with pollution sources, but not with the air districts.

3.8.1.4 Enforcement of CARB regulations is not a power or function that the Board has specifically reserved to itself under Resolution 78-10 or Resolution 05-40 and is therefore conclusively presumed to have been delegated to the CARB Executive Officer.

3.8.1.5 In addition to Health and Safety Code Sections 38501, 39001, 39603, 40701, which provide for and authorize joint efforts, case law further establishes that the CARB Executive Officer may delegate the investigation and determination of facts preliminary to agency action. (*California School Employees Assn. v. Personnel Com. of Pajaro Valley Unified School Dist.* (1970) 3 Cal.3d 139.)

3.8.2 District Permitting and Enforcement Authority

3.8.2.1 Pursuant to Health and Safety Code section 40001, the District shall enforce rules and regulations, including applicable state and federal law, subject to the powers and duties of the Board.

3.8.2.2 Pursuant to Health and Safety Code section 40752, the Air Pollution Control Officer ("APCO") of each district shall enforce Parts 3 and 4 of Health and Safety Code Division 26 (§§ 40000 - 41357, and 41500 - 41708, respectively) as well as all orders, regulations, and rules prescribed by the district's governing board. Further, pursuant to Health and Safety Code

section 42301, district permit systems allow the districts to ensure compliance with applicable district and state rules, regulations, and orders.

3.8.2.3 AB 32 includes methane in its list of pollutants and CARB has identified, through its Scoping Plans, methane control as a key step under AB 32.

3.8.2.3 Pursuant to Health and Safety Code sections 38594, 39013, 40702, and 42300, and *Western Oil & Gas Association v. Monterey Bay Air Pollution Control District* (1989) 49 Cal.3d 408, the districts generally have independent authority to adopt, implement, and enforce local rules and regulations that are as stringent or more stringent than those in CARB regulations.

3.8.2.4 No later than December 21, 2017, the District will adopt a registration program for sources covered by the CARB Oil and Gas Regulation that authorizes it to issue and enforce the registrations required under this MOA.

3.9 Need for Implementation and Enforcement of CARB Regulations

3.9.1 Many local air districts already regulate oil and gas operations for pollutants other than methane, such as PM_{2.5}, NO_x, and VOC, in order to meet ambient air quality requirements. Additionally, the Districts, including the San Joaquin Valley Air Pollution Control District, currently issue Title V operating permits to some oil and gas operations regulated under federal rules, including some sources subject to New Source Performance Standards (NSPS) governing VOC and methane emissions (40 CFR 60 Subparts OOOO and OOOOa).

3.9.2 The CARB Oil and Gas Regulation builds on equipment and processes already utilized, in many instances, by several of the districts through their current rules, such as leak detection and repair programs, which the districts have been implementing for decades.

3.9.3 Compliance with the CARB Oil and Gas Regulation will achieve the additional methane reductions needed to comply with the California AB 32 and SB 32 2020 and 2030 emissions targets, the methane targets codified in SB 1383 and to be implemented by the CARB Short-Lived Climate Pollutant Reduction Strategy, and will support compliance with federal programs.

4. AGREEMENT

4.1 Implementation and Enforcement of the CARB Oil and Gas Regulation

4.1.1 The Parties hereby agree to the following in order to coordinate enforcement efforts and roles, and to authorize the District to exercise certain duties and discretion of the CARB Executive Officer regarding the CARB Oil and Gas Regulation.

4.1.1.1 As set forth in detail below, in implementing and enforcing the CARB Oil and Gas Regulation, the District will perform the functions necessary to

determine a source's compliance, including, but not limited to, receiving and reviewing relevant source plans and reports, and conducting investigations.

4.1.1.2 The District may perform one or more of the implementation and enforcement tasks identified in this section 4.1 in conjunction with exercising other District powers, including permitting powers, or fulfilling other District responsibilities under federal, state, or local law.

4.1.2 In order to facilitate efficient implementation and enforcement of the Oil and Gas Regulation, CARB has identified provisions for which the District will have primary authority, for purposes of implementation and enforcement, though CARB retains its ultimate authority in all instances. The APCO of a District delegated primary authority over a provision in the Oil and Gas Regulation will serve as the "CARB Executive Officer" as stated in the text of the Regulation for purposes of that provision.

4.1.2.1 Except as specified in section 4.1.2.2, the District will serve as the primary authority for enforcement and implementation of the Oil and Gas Regulation.

4.1.2.2 CARB will serve as the primary authority only for the following provisions of the Oil and Gas Regulation:

- Review of the monitoring plans required by section 95668(h), relating to Natural Gas Underground Storage Facility Monitoring Requirements. CARB will transmit its decisions on these monitoring plans to the District.
- Requirements for owners or operators with regard to well stimulation treatments set forth at section 95668(b). CARB will transmit its determinations regarding these requirements to the District.
- Requirements related to the determination of critical components with regard to facilities and components regulated solely as a result of the Regulation, as set forth in section 95670 of the Regulation. The District will make an initial determination of critical components, and CARB will retain authority to approve or disapprove that determination. Any proposed changes to a facility's critical component list are at the discretion of CARB and the District.
- Requirements and authorities specifically set forth for CARB in sections 95674 and 95676 of the Regulation.

4.1.2.3 Notwithstanding the above, with regard to idle wells, CARB understands that District enforcement and inspection resources are limited. Although

the District will make best efforts to address enforcement and compliance issues at idle wells, CARB will also contribute resources and time to ensure these sources are in compliance. In particular, CARB understands that some idle wells may effectively be “orphaned” – that is, due diligence may reveal no party responsible for them. CARB understands that Districts may not focus their limited resources on compliance at these wells in instances where the District has determined that the wells do not appear to pose an immediate risk to health and safety, or to have potential or actual emissions which would compromise the purposes of the Regulation. CARB will work cooperatively with the districts, including via offering available CARB resources, to address issues at these wells in instances where orphaned wells require focused enforcement attention and District resources are not reasonably available. The District will provide a list of any orphaned wells they are aware of to CARB.

- 4.1.3 The District will exercise its enforcement discretion, as appropriate, to issue Notices of Violation (NOV) or other citations for violations of any portion of the CARB Oil and Gas Regulation and any amendments thereto.
- 4.1.4 The District will implement and enforce the Regulation via the following mechanisms:
 - 4.1.4.1 Through the utilization of all pertinent authorities granted to it pursuant to Health and Safety Code section 40001, et seq.
 - 4.1.4.2 Through District Rule 2260, *Registration Requirements for Equipment Subject to California's Oil and Gas Regulation*, and Rule 3156, *Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California's Oil and Gas Regulation*, to be adopted December 21, 2017.
 - 4.1.4.2.1 Registrations required under Rule 2260 will include and list all equipment subject to the standards of the Regulation, except where otherwise exempt, such as equipment listed in section 4.0 of Rule 2260, and circulation tanks subject to section 95668(b), for which CARB has retained primary regulatory authority under this agreement;
 - 4.1.4.2.2 Registrations required by and issued under Rule 2260 are intended to meet the requirements of the “Local Air District Permitting Application Requirements” of section 95674(b)(1) and the “Registration Requirements” of section 95674(b)(2)(A)(4), relating to permits and permit terms.
 - 4.1.4.2.3 Rule 2260, Section 8.0, requires submittal of the information specified under section 95674(b)(2) of the CARB Oil and Gas Regulation for facilities or equipment not registered under Rule 2260.

- 4.1.5 CARB retains enforcement authority to enforce the CARB Oil and Gas Regulation, and this MOA shall not be interpreted to diminish in any manner CARB authority to enforce its own regulations, either alone or jointly with the District.
- 4.1.6 The District retains enforcement authority to enforce any duly adopted local rules applicable to oil and gas operations, and this MOA shall not be interpreted to diminish in any manner the District's independent authority to implement and enforce its regulations, either alone or jointly with the CARB.
- 4.1.7 This agreement does not preclude the District from imposing more stringent requirements on oil and gas operations than the CARB Oil and Gas Regulation. Pursuant to section 95676 of this regulation, the CARB retains the authority to determine whether the District's requirements are more stringent than those imposed by this regulation.
- 4.1.8 Variances from State law are prohibited under Health and Safety Code section 42350. Nothing in this agreement shall be interpreted to allow variances from the CARB Oil and Gas Regulation.

4.2 Standards of Performance

- 4.2.1 When implementing and enforcing the CARB Oil and Gas Regulation, the following standards of performance shall apply:
 - 4.2.1.1 The District shall not implement or enforce the CARB Oil and Gas Regulation in a manner less stringent than provided for in the Regulation, as determined by the CARB Executive Officer. Districts may, however, exercise appropriate enforcement discretion. CARB retains its right to enforce the Regulation independently as appropriate.
 - 4.2.1.2 The District's implementation and enforcement activities pursuant to this MOA shall be carried out by appropriate District staff.
 - 4.2.1.3 CARB shall provide the District with periodic training as needed, and will also make the District aware of guidance materials and policies that CARB may issue regarding the CARB Oil and Gas Regulation.
 - 4.2.1.4 In the event of a disagreement between the District and a third party regarding the interpretation of this CARB regulation, CARB must be notified by the District in a timely manner and CARB will provide input and assistance in resolving the dispute.

4.3 Information Sharing Processes

- 4.3.1 Information required to be reported by the CARB Oil and Gas Regulation will be gathered and collected as follows.

- 4.3.1.1 CARB will provide information upon request to the District as completely and as expeditiously as is practicable, consistent with relevant law. Owners and operators within the District shall continue to report information to the CARB Executive Officer as required under sections 95668 and 95673. By August 1 of each calendar year, CARB will share with the District information that owners and operators within the District have submitted, as required under sections 95668 and 95673, to CARB. CARB will share information related to flash analysis testing within the District within 10 business days of receipt.
- 4.3.1.2 The registration and permitting information required to be submitted by section 95674(b)(2) by January 1 of each calendar year shall be submitted to the District consistent with CARB guidance and the District's registration and permitting programs. The District shall annually transmit this information to CARB within 30 days of the submittal deadline each calendar year.
- 4.3.1.3 CARB may develop electronic submittal tools to aid in transmission of these reports, and in gathering underlying data.
- 4.3.2 The District will summarize enforcement and implementation data for each year (including, but not limited to, a description of issued NOVs and their resolution, including the amount of any penalties and a description of other required remedies, and the numbers, types, and locations of sources inspected, and any outstanding issues) in a report to CARB by February 1 of the next calendar year. This annual report shall include a list of facilities subject to this CARB regulation that have been inspected by District personnel in the preceding year. The District will make inspection reports for those inspections available to CARB upon request.
- 4.3.3 The District will promptly inform CARB of significant enforcement and implementation matters, and will provide information regarding implementation and enforcement promptly upon CARB request. "Significant" matters include, but are not limited to, violations associated with large emissions releases or risks to the public, patterns of violations or noncompliance regarding a particular owner or operator, disputes over rule interpretation likely to affect implementation or enforcement by CARB or other districts, major settlements, and threatened or actual litigation regarding the Regulation. CARB will promptly inform the District of significant implementation and enforcement matters regarding owners, operators, areas, or issues that concern the District.
- 4.3.4 To ensure that the District is acting within the scope of CARB's authority when enforcing the CARB Oil and Gas Regulation on CARB's behalf, all written correspondence from the District alleging that an administrative or civil penalty will be, or could be, imposed by the District under this MOA shall include the information required by Health and Safety Code section 39619.7(a). The District will provide CARB with copies of each settlement agreement reached by the District for alleged violations of this CARB regulation. All final settlement agreements reached by the District under this MOA shall include the information

required by Health and Safety Code section 39619.7(a) and will be published by CARB on CARB's website (consistent with CARB practices).

4.4 CARB Coordination with the District

- 4.4.1 With advance notice to the District, CARB personnel may accompany District personnel on inspections and other enforcement activities. District personnel may accompany CARB personnel on inspections for purposes of training, ensuring consistency, and joint enforcement.
- 4.4.2 Any District records related to enforcement of the CARB Oil and Gas Regulation shall be provided to CARB upon request. Clearly marked confidential information will be protected from public release by CARB, except after consultation with the District or under other legal mandate.
- 4.4.3 CARB may periodically review actions taken by the District in implementing and enforcing the CARB Oil and Gas Regulation and provide advice aimed at ensuring consistency between CARB and District enforcement activities.
- 4.4.4 CARB and the District will coordinate to provide assistance to owners and operators seeking to obtain approval from the EPA to use the CARB Oil and Gas Regulation as an Alternative Means of Emissions Limitation (AMEL) to support compliance with 40 CFR Part 60 Subparts OOOO or OOOOa. CARB will also work with the District to support compliance with the CTG issued for the oil and gas sector, and with other federal rulemakings as appropriate.
- 4.4.5 CARB will continue to explore options to assist the District with additional staffing, equipment, funding, and training needs resulting from the Oil and Gas Regulation.

4.5 Implementation and Enforcement Coordination

- 4.5.1 CARB will conduct joint inspections and investigations as requested by the District.
- 4.5.2 CARB may pursue litigation or settlement using the authority, mechanisms, and remedies available to it under California law.

4.6 Civil Penalties. Pursuant to section 95674(a)(1) of the Regulation, any penalties secured by the District as a result of an enforcement action that it undertakes to enforce a violation of the CARB Oil and Gas Regulation may be retained by the District. When the District issues a NOV/citation for violation of the CARB Oil and Gas Regulation and refers the violation to CARB for litigation or settlement, any civil penalties for the violation, or payments made in settlement as civil penalties or in lieu thereof obtained by CARB shall be shared equally between the Parties.

4.7 Term. This MOA shall be effective upon full execution by both Parties and shall continue in full force and effect unless terminated by either Party pursuant to the terms of the MOA.

- 4.8 Termination. Either Party may terminate this MOA for any reason by providing a written notice of termination no later than 60 days before the date of termination. Each Party's rights and obligations specified in this MOA shall remain in effect until the termination date.
- 4.9 Indemnification. Each Party agrees to indemnify, defend and hold harmless the other party, and the officers, employees, agents and contractors of the other, from and against any claims, liabilities, costs or losses of any kind that arise from, or are alleged to arise from the Party's actions under or the performance of this MOA, except for any such loss, damage, injury or death to the extent caused by the active negligence or other wrongful conduct of the other Party.
- 4.10 Entire Agreement. This MOA represents the entire agreement of the Parties, and merges and supersedes any prior written or oral representations, discussions, understandings or agreements by or between the Parties relating to the subject matter of this MOA.
- 4.11 Modification. No addition to or modification of any term or provision of this MOA will be effective unless set forth in writing and signed by an authorized representative of each of the Parties.
- 4.12 Authority. Each Party represents and warrants that it has the right, power, and authority to execute this MOA. Each Party represents and warrants that it has given any and all notices, and obtained any and all consents, powers and authorities, necessary to permit it, and the persons executing this MOA for it, to enter into this MOA.
- 4.13 Limitations. Except as provided in this MOA, this MOA does not create and shall not be construed to create any right, permission, or requirement for the District to implement or enforce any authority of CARB regarding regulations adopted by CARB pursuant to AB 32.
- 4.14 Third Parties. This MOA shall not be construed to bind any Party in any manner with respect to any person or entity that is not a Party to this MOA, or a successor or assign of a Party.
- 4.15 Notices. Any notice or report required or permitted to be given under this MOA shall be in writing and shall be deemed to be given when served personally, or on the third day after mailing if mailed in the United States mail, postage prepaid, addressed to the address for each Party set forth below:

To CARB: Elizabeth Scheehle
1001 "I" Street
P.O. Box 2815
Sacramento, CA 95812

To District: Attention: Director of Compliance
San Joaquin Valley Air Pollution Control District
1990 E Gettysburg Ave
Fresno, CA 93726

- 4.16 Severability. If any term of this Agreement is to any extent invalid, illegal, or otherwise incapable of continuing in force, such term shall be excluded to the extent of its invalidity, illegality, or unenforceability; all other terms of this Agreement shall continue in full force and effect and to the extent possible, the severed term shall be deemed to be replaced with a valid and enforceable term that comes closest to achieving the purpose of the severed term until the Parties are able to meet and agree on a replacement term.

IN WITNESS WHEREOF, this MOA has been executed by the parties hereto.

CALIFORNIA AIR RESOURCES BOARD

SAN JOAQUIN VALLEY UNIFIED AIR
POLLUTION CONTROL DISTRICT



Richard Corey, Executive Officer

Seyed Sadredin
Executive Director/Air Pollution Control Officer

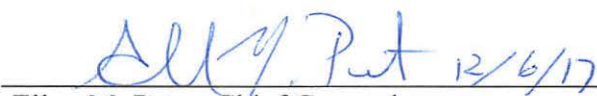
12/6/2017

Date

Date

Approved as to form

Approved as to form



Ellen M. Peter, Chief Counsel

Annette Ballatore-Williamson
District Counsel

Date

Date

San Joaquin Valley Unified Air Pollution Control District
Meeting of the Governing Board
December 21, 2017

**ADOPT RULES 2260 AND 3156 AND AUTHORIZE DISTRICT
IMPLEMENTATION OF CALIFORNIA'S OIL AND GAS REGULATION**

Attachment H:

**COMMENTS RECEIVED AND DISTRICT RESPONSES AFTER PUBLICATION
OF FINAL DRAFT RULES**
(3 PAGES)

**PUBLIC COMMENT PERIOD
(NOVEMBER 21, 2017 - DECEMBER 12, 2017)**

**COMMENTS RECEIVED AND DISTRICT RESPONSES AFTER PUBLICATION OF
FINAL DRAFT RULES**

The San Joaquin Valley Unified Air Pollution Control District (District) posted proposed Rules 2260 and 3156 on November 20, 2017 and solicited additional comments on the proposed rules.

Comments were received from Aera Energy LLC and California Resources Corporation are summarized below.

EPA REGION IX COMMENTS:

No comments were received from EPA Region IX.

CARB COMMENTS:

No comments were received from CARB.

PUBLIC COMMENTS:

Comments were received from the following:

*Aera Energy LLC
California Resources Corporation*

**1) COMMENTS REGARDING RULE 2260 TIMELINE FOR SUBMITTING CARB
DATA INVENTORY**

Recently CARB has extended the timeline for submitting the data inventory requirement specified in COGR Section 95674(b) (2) from January 1, 2018 to July 1, 2018. Rule 2260 Section 8.1 should be revised to extend the timeline to submit this data inventory from March 1, 2018 to July 1, 2018 to be consistent with recent CARB guidance.

(Aera Energy LLC and California Resources Corporation)

**RESPONSE REGARDING RULE 2260 TIMELINE FOR SUBMITTING CARB
DATA INVENTORY**

Comment noted. Rule 2260, Section 8.1, includes flexibility in the requirement to

submit a data inventory to allow the District to align this requirement with CARB's enforcement of this requirement.

Rule 2260, Section 8.1, specifies the initial timeline for submitting the data inventory as follows: "By March 1, 2018, and to the extent required by CARB, the owner or operator ... ". This wording allows the District to align the Rule 2260 Section 8.1 requirement with CARB's interpretation of this requirement of the state regulation. Consistent with CARB's latest guidance, the deadline for the data inventory requirement in Rule 2260, Section 8.1, will be July 1, 2018.

Please note that if CARB changes their interpretation of this requirement in the future, the District will implement CARB's interpretation, including any changes to the timelines for submittal of data inventories.

No changes to the text of Rule 2260 have been made.

2) COMMENTS REGARDING RULE 3156 FEES

Rule 3156 Section 4.2 Table 1 schedule D fees for All Natural Gas Powered Pneumatic Devices and Pumps at a Facility should be changed from \$145 per 25 units or portion thereof to \$145 per 50 units or portion thereof.

CRC requests an increase to the natural gas powered pneumatic devices grouping amount to lessen potential burdensome cost impacts to operations.
(*California Resources Corporation*)

Rule 3156 Section 4.2 Table 1 schedule G fees for Natural Gas Production Operations should be changed from \$135 per 10 wells or portion thereof to \$135 per 100 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere.

CRC requests an increase to the natural gas production operations well grouping amount to lessen potential burdensome cost impacts to operations.
(*California Resources Corporation*)

Rule 3156 Section 4.2 Table 1 schedule H, fees for Crude Oil Production Operations, should be changed from \$100 per 10 wells or portion thereof to \$100 per 100 wells or portion thereof, excluding Well Casing Vents Open to the Atmosphere.

CRC requests an increase to the crude oil production operations well grouping amount to lessen potential burdensome cost impacts to operations.
(*California Resources Corporation*)

Rule 3156 Section 4.2 Table 1 schedule L, fees for Production/Injection Wells at Natural Gas Underground Storage Facilities, should be clarified such that it does not apply to injection wells used in oil or gas production operations.
(California Resources Corporation)

RESPONSE REGARDING RULE 3156 FEES

Comments noted. The fees specified in Rule 3156, Section 4.2, Table 1, are based on District workload estimates for implementing new requirements of the state regulation. As the District is expected to be reimbursed by the State for the costs of implementing the state regulation, staff does not expect affected facilities to initially pay fees to the District under Rule 3156.

If the District determines that the actual costs of implementing the state regulation are lower than anticipated, based on actual field experience in implementing the regulation, District staff will propose amendments to Rule 3156 to more accurately reflect the actual costs of implementing the state regulation.

The fees specified in Rule 3156, Section 4.2, Table 1, schedule D fees for All Natural Gas Powered Pneumatic Devices and Pumps at a Facility, reflect the actual estimated cost of implementing the requirements of the state regulation for this equipment.

Regarding the fees in Rule 3156, Section 4.2, Table 1, schedules G and H, these "per well" fees are only applicable to wells that are subject to leak detection and repair requirements of the state regulation. It is important to note that these schedules exclude wells subject to leak detection and repair requirements of District rules, including Rules 4401 and 4409. As such, not all wells owned or operated by a facility would potentially be subject to the Fees in Rule 3156, rather only wells subject to leak detection and repair requirements of the state regulation would be potentially be subject to fees. These fees reflect the actual estimated cost of implementing the requirements of the state regulation for this equipment.

The fees for production/injection wells in Rule 3156, Section 4.2, Table 1, schedules I through M, only apply to Natural Gas Underground Storage Facilities. These fee schedules do not apply to oil and gas production facilities. Staff understands that California Resources Corporation does not own or operate a Natural Gas Underground Storage Facility in the District, and as such would not be subject to these fees. Nonetheless, schedule L applies to wells used either for producing or injecting natural gas only at a Natural Gas Underground Storage Facility. These fees reflect the actual estimated cost of implementing the requirements of the state regulation for this equipment.

No changes to the text of Rule 3156 have been made.