Proposed New Rules 2260 and 3156 to Implement California’s Oil and Gas Regulation

Webcast participants: submit comments to webcast@valleyair.org

October 20, 2017
New California Oil and Gas Regulation (COGR) to reduce methane emissions from the oil/gas industry

Adopted by CARB on March 23, 2017

COGR includes GHG emission standards for

- Separator and Tank Systems
- Circulation Tanks for Well Stimulation Treatments
- Reciprocating/Centrifugal Natural Gas Compressors
- Natural Gas Powered Pneumatic Devices and Pumps
- Liquids Unloading of Natural Gas Wells
- Well Casing Vents
- Natural Gas Underground Storage Facilities
Regulation Implementation

- Rule may be implemented by CARB or District
  - CARB and Industry requested that District implement COGR
- District implementation benefits
  - District familiar with local facilities
  - District experienced with equipment inspection
  - Streamlined implementation results in efficient use of government funds
  - District to enter into MOA with CARB in order to proceed with implementation
Overall Implementation Principles

• Registration system: independent from District permits (so not subject to New Source Review)
• Web-based application system allowing facilities to directly enter information
• District issuing registration electronically
• Registration will contain all applicable COGR requirements
• Annual inspection combined with permitted equipment periodic inspection
• State expected to cover District costs
  – Annual registration fees as backstop
Two new rules proposed to implement COGR:

- Rule 2260, Registration Requirements for Equipment Subject to California’s Oil and Gas Regulation
- Rule 3156, Fees for Equipment Subject to Rule 2260 Registration Requirements for Equipment Subject to California’s Oil and Gas Regulation
Streamlined Application Filing

- Facilities will be able to use District web-based system to apply for new (or modify) registrations
- **No application filing fee** for electronic submittal in District format
  - Otherwise, hourly data processing fee charged
- District rule **must be** adopted before end of year, or COGR requires applications be filed with CARB
  - CARB staff developing spreadsheet-based application
  - If District rules not adopted by December, CARB will forward information to District
  - Lack of data compatibility may trigger hourly data processing fees
District Rule 2260

Registration Requirements For Equipment Subject To California’s Oil And Gas Regulation
Rule 2260 Concept

- Registration program to implement requirements for equipment subject to COGR
- Applicable to permitted and permit exempt equipment subject to COGR standards
  - PTOs for equipment subject to COGR will not be revised to include COGR requirements
  - However, alterations to permitted equipment to comply with COGR require ATC
- Equipment exempt from COGR standards not subject to registration
Rule 2260 Highlights

Section 3.0 Definitions

• Utilize definitions in COGR

• Facility definition
  – Same as defined in COGR and CARB Mandatory Reporting reg – contiguous and adjacent property
  – Not same as stationary source definition in NSR

• Registration
  – Lists all equipment at a Facility subject to COGR standards
Section 4.0 Exemptions

- No registration required for equipment not subject to the standards in COGR
- Records required to document basis of exemption for certain equipment:
  - Separator and tank systems
  - Reciprocating natural gas compressors
  - Centrifugal Natural Gas Compressors
  - Equipment exempt from LDAR
Rule 2260 Highlights (cont’d)

Section 5.0 Requirements

• Registration applications submitted electronically to CARB by 1/1/18 satisfy application requirement

• A company will have a separate registration for each “Facility”

• Newly installed equipment or equipment transferred from others require registration application within 7 days of installation

• Replacement of equipment of same type at same location do not require registration application
Section 6.0 Registration Application

• One application per “Facility” covers all affected equipment

• Information needed:
  – Owner/operator name and contact information
  – Address or location of Facility
  – District facility number that is most closely associate with equipment
  – Associated District PTO #, if applicable
  – Description of all equipment subject to COGR standards, including location of equipment (UTM or lat/long coordinates)
Section 7.0 Registration Content

• A company will have a separate registration for each “Facility”
• Specifies equipment subject to and the requirements of COGR
• Will not include equipment exempt from standards of COGR
District Rule 3156

Fees For Equipment Subject To Rule 2260 Registration Requirements For Equipment Subject To California’s Oil And Gas Regulation
Streamlined Implementation

- District will implement all feasible streamlining measures in implementing COGR
  - Electronic application submittal (District approved format)
  - Standardized conditions developed to enforce COGR requirements

- Streamlined implementation
  - Reduced District staff time
  - Reduced cost and time requirements for industry
  - No application filing fees for electronic application submittals consistent with District format
District Cost Recovery

- District staff time required to inspect facilities
- State budget will include funds for California Districts to assist in recovering associated implementation costs
- District expects to received adequate state funding to offset its implementation costs
- Rule 3156 is a backstop in the event adequate funds are not received
Rule 3156 Registration Fees

- **Sec 4.1 Registration Application Filing Fee**
  - **No application filing fee** for applications submitted electronically in District approved format
  - Applications NOT submitted in District approved format subject to data processing fee

- **Sec 4.2 Annual Registered Equipment Fee**
  - State expected to reimburse District costs
  - No fees unless state doesn’t cover District costs
## Rule 3156 Annual Fees

- **Sec 4.2 Annual Registered Equipment Fees**

<table>
<thead>
<tr>
<th>Schedule</th>
<th>Cost ($ per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A - Each Separator and Tank System subject to flash testing</td>
<td>$60</td>
</tr>
<tr>
<td>B - Each Separator and Tank System subject to Leak Detection and Repair</td>
<td>$90</td>
</tr>
<tr>
<td>C - All Circulation Tanks for Well Stimulation Treatments at a Facility</td>
<td>$90</td>
</tr>
<tr>
<td>D - All Reciprocating and Centrifugal Natural Gas Compressors at a Facility</td>
<td>$190</td>
</tr>
<tr>
<td>E - All Natural Gas Powered Pneumatic Devices and Pumps at a Facility (per 25 units or portion thereof)</td>
<td>$145</td>
</tr>
<tr>
<td>F - All Liquids Unloading of Natural Gas Wells at a Facility</td>
<td>$70</td>
</tr>
<tr>
<td>G - All Well Casing Vents at a Facility</td>
<td>$60</td>
</tr>
<tr>
<td>H - Natural Gas Processing Plant</td>
<td>$90</td>
</tr>
<tr>
<td>I - Natural Gas Production Operation (per 10 wells or portion thereof)</td>
<td>$135</td>
</tr>
<tr>
<td>J - Crude Oil Production Operation (per 10 wells or portion thereof)</td>
<td>$100</td>
</tr>
</tbody>
</table>
## Rule 3156 Annual Fees

### Sec 4.2 Annual Registered Equipment Fees

<table>
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<tbody>
<tr>
<td><strong>K</strong> -</td>
<td></td>
</tr>
<tr>
<td>Separator System (per unit)</td>
<td>$90</td>
</tr>
<tr>
<td><strong>L</strong> -</td>
<td></td>
</tr>
<tr>
<td>Dehydration System (per glycol unit)</td>
<td>$300</td>
</tr>
<tr>
<td><strong>M</strong> -</td>
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<tr>
<td>Odorizer Skid (per skid)</td>
<td>$30</td>
</tr>
<tr>
<td><strong>N</strong> -</td>
<td></td>
</tr>
<tr>
<td>Production/Injection Wells (per 10 wells or portion thereof)</td>
<td>$135</td>
</tr>
<tr>
<td><strong>O</strong> -</td>
<td></td>
</tr>
<tr>
<td>All Reciprocating and Centrifugal Natural Gas Compressors at a Facility</td>
<td>$190</td>
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</tbody>
</table>
Rule 3156 Program Fee Backstop

• State committed to provide funds to District to cover implementation costs
• District implementation costs budgeted each year
• No fees expected to be required from facilities
• Rule 3156 is a backstop in case sufficient state funds not received
• If fees are required, determined by:
  – Determining shortfall (budgeted costs less state funds received)
  – Pro-rating shortfall among facilities subject to COGR, based on equipment registered at each facility
Next Steps…

October 21, 2017 – October 30, 2017

Public comment period

November 16, 2017

Publication of proposed rule package to District web page for 30-day comment period

December 21, 2017

Governing Board Public Hearing
Comments

Written comments no later than October 30, 2017

Please send comments to
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Questions/Comments