RE: Notice of Final Action - Authority to Construct
Facility Number: S-6905
Project Number: S-1140440

Dear Mr. Hathaway:

The Air Pollution Control Officer has issued the Authority to Construct permit to Hathaway, LLC for installing a 50 Mscf/day flare serving as a control device for the tank vapor control system listed on permit S-6509-26-4 and TEOR operation S-6509-29-0, at Section 20, Township 27S, Range 27E within Hathaway's Heavy Oil Central stationary source. Enclosed are the Authority to Construct permit and a copy of the notice of final action to be published approximately three days from the date of this letter.

Notice of the District's preliminary decision to issue the Authority to Construct permit was published on March 18, 2014. The District's analysis of the proposal was also sent US EPA Region IX on March 13, 2014. No comments were received following the District's preliminary decision on this project.

Thank you for your cooperation in this matter. If you have any questions, please contact Mr. Leonard Scandura at (661) 392-5500.

Sincerely,

Arnaud Marjollet
Director of Permit Services

AM:SDD/st
Enclosures

cc: Mike Tollstrup, CARB (w/enclosure) via email
cc: Gerardo C. Rios, EPA (w/enclosure) via email
AUTHORITY TO CONSTRUCT

PERMIT NO: S-6509-10-6  ISSUANCE DATE: 04/29/2014

LEGAL OWNER OR OPERATOR: HATHAWAY LLC

MAILING ADDRESS: PO BOX 81385
BAKERSFIELD, CA 93380-1385

LOCATION: HEAVY OIL CENTRAL

SECTION: NW15  TOWNSHIP: 25S  RANGE: 27E

EQUIPMENT DESCRIPTION:
MODIFICATION OF 1000 BBL FIXED ROOF SHIPPING/STOCK TANK (QUINN LEASE): REDUCE THROUGHPUT TO 565 BBLS PER DAY

CONDITIONS

1. To maintain status as a small producer, permittee's crude oil production shall average less than 6000 bbl/day from all operations within Kern County and permittee shall not engage in refining, transporting, or marketing of refined petroleum products. [District Rules 3020 & 4623]

2. VOC emission rate from the tank shall not exceed 30.7 lb/day. [District Rule 2201]

3. Throughput shall not exceed 565 bbl/day. [District Rule 2201]

4. This tank shall only store, place, or hold organic liquid with a true vapor pressure (TVP) of less than 0.5 psia under all storage conditions. [District Rules 2201 and 4623]

5. Permittee shall conduct true vapor pressure (TVP) testing of the organic liquid stored in this tank at least once every 24 months during summer (July - September), and/or whenever there is a change in the source or type of organic liquid stored in this tank in order to maintain exemption from the rule. [District Rule 4623]


CONDITIONS CONTINUE ON NEXT PAGE

YOU MUST NOTIFY THE DISTRICT COMPLIANCE DIVISION AT (661) 392-5500 WHEN CONSTRUCTION IS COMPLETED AND PRIOR TO OPERATING THE EQUIPMENT OR MODIFICATIONS AUTHORIZED BY THIS AUTHORITY TO CONSTRUCT. This is NOT a PERMIT TO OPERATE. Approval or denial of a PERMIT TO OPERATE will be made after an inspection to verify that the equipment has been constructed in accordance with the approved plans, specifications and conditions of this Authority to Construct, and to determine if the equipment can be operated in compliance with all Rules and Regulations of the San Joaquin Valley Unified Air Pollution Control District. Unless construction has commenced pursuant to Rule 2050, this Authority to Construct shall expire and application shall be cancelled two years from the date of issuance. The applicant is responsible for complying with all laws, ordinances and regulations of all other governmental agencies which may pertain to the above equipment.

Seyed Sadredin, Executive Director / APCO

Saad Marjollet, Director of Permit Services
San Joaquin Valley AIR POLLUTION CONTROL DISTRICT
HEALTHY AIR LIVING

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7. For crude oil with an API gravity of 26 degrees or less, the TVP shall be determined using the latest version of the Lawrence Berkeley National Laboratory "test Method for Vapor pressure of Reactive Organic Compounds in Heavy Crude Oil Using Gas Chromatograph", as approved by ARB and EPA. [District Rule 4623]

8. The TVP testing shall be conducted at actual storage temperature of the organic liquid in the tank. The permittee shall also conduct an API gravity testing. [District Rule 4623]

9. Instead of testing each uncontrolled fixed roof tank, the permittee may conduct a TVP test of the organic liquid stored in a representative tank provided the requirements of Sections 6.2.1.1 through 6.2.1.5 of Rule 4623 are met. [District Rule 4623]

10. Permittee shall maintain monthly records of average daily crude oil throughput and shall keep accurate records of each organic liquid stored in the tank, including its storage temperature, TVP, and API gravity. [District Rule 2201 and 4623]

11. All records required to be maintained by this permit shall be maintained for a period of at least five years and shall be made readily available for District inspection upon request. [District Rule 1070 and 4623]

12. ATC S-6509-10-5 shall be implemented prior to or concurrently with this ATC. [District Rule 2201]

13. ATC S-6509-35-0 shall be implemented concurrent with this ATC. [District Rule 2201]
AUTHORITY TO CONSTRUCT

PERMIT NO: S-6509-26-4

LEGAL OWNER OR OPERATOR: HATHAWAY LLC
MAILING ADDRESS: PO BOX 81385
BAKERSFIELD, CA 93380-1385

LOCATION: HEAVY OIL CENTRAL

SECTION: 20  TOWNSHIP: 27S  RANGE: 27E

EQUIPMENT DESCRIPTION:
MODIFICATION OF 1500 BBL FIXED ROOF CRUDE OIL WASH TANK CONNECTED TO VAPOR CONTROL SYSTEM SHARED WITH TANKS S-6509-27 AND S-6509-28 (USL LEASE): ALLOW FLARE S-6509-35 TO INCINERATE VAPORS

CONDITIONS

1. Permittee's crude oil production shall average less than 6,000 bbl/day from all operations within Kern County and permittee shall not engage in refining, transporting, or marketing of refined petroleum products. [District Rules 2080 and 4623]

2. Vapor control system shall discharge to sales gas line, flare S-6509-35, and/or a permit exempt equipment. [District Rule 2201]

3. Permit exempt heater shall combust only natural gas containing no more than five (5) percent by weight hydrocarbons heavier than butane and no more than 1.0 grain of total sulfur per 100 standard cubic feet of gas. [District Rule 2020]

4. VOC and sulfur content of natural gas combusted by permit exempt heater shall be tested and recorded not less than every 12 months using methods ASTM D-1945, ASTM D-3588, ASTM D-3246, and EPA Method 18 referenced as methane or equivalent test method with prior District approval. [District Rule 2201]

5. VOC emission rate from vapor service components associated with this tank up to the vapor control system trunk line shall not exceed 0.2 lb/day. [District Rule 2201]

6. VOC emission rate from vapor control system shall not exceed 0.2 lb/day. [District Rule 2201]

7. All piping, valves, and fittings shall be constructed and maintained in a leak-free condition. [District Rule 2201 and 4623]

CONDITIONS CONTINUE ON NEXT PAGE

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Seyed Sadredin, Executive Director / APCO
8. A leak-free condition is defined as a condition without a gas leak or liquid leak. A gas leak is defined as a reading in excess of 10,000 ppmv, above background, as measured by a portable hydrocarbon detection instrument in accordance with the procedures specified in EPA Test Method 21. A liquid leak is defined as the dripping of organic liquid at a rate of more than 3 drops per minute. [District Rule 2201 and 4623]

9. Any tank gauging or sampling device on a tank vented to the vapor recovery system shall be equipped with a leak-free cover which shall be closed at all times except during gauging or sampling. [District Rule 2201 and 4623]

10. Operator shall visually inspect tank shell, hatches, seals, seams, cable seals, valves, flanges, connectors, and any other piping components directly affixed to the tank and within five feet of the tank at least once per year for liquid leaks, and with a portable hydrocarbon detection instrument conducted in accordance with EPA Method 21 for gas leaks. Operator shall also visually or ultrasonically inspect as appropriate, the external shell and roof of the uninsulated tank for structural integrity annually. [District Rule 2201 and 4623]

11. Upon detection of a liquid leak, defined as a leak rate of greater than or equal to 30 drops per minute, operator shall repair the leak within 8 hours. For leaks with a liquid leak rate of between 3 and 30 drops per minute, the leaking component shall be repaired within 24 hours after detection. [District Rules 2201 and 4623]

12. Upon detection of a gas leak, defined as a VOC concentration of greater than 10,000 ppmv measured in accordance with EPA Method 21, operator shall take one of the following actions: 1) eliminate the leak within 8 hours after detection; or 2) if the leak cannot be eliminated, then minimize the leak to the lowest possible level within 8 hours after detection by using best maintenance practices, and eliminate the leak within 48 hours after minimization. In no event shall the total time to minimize and eliminate a leak exceed 56 hours after detection [District Rules 2201 and 4623]

13. Components found to be leaking either liquids or gases shall be immediately affixed with a tag showing the component to be leaking. Operator shall maintain records of the liquid or gas leak detection readings, date/time the leak was discovered, and date/time the component was repaired to a leak-free condition. [District Rules 2201 and 4623]

14. Leaking components that have been discovered by the operator that have been immediately tagged and repaired within the timeframes specified in District Rule 4623, Table 3 shall not constitute a violation of this rule. Leaking components as defined by District Rule 4623 discovered by District staff that were not previously identified and/or tagged by the operator, and/or any leaks that were not repaired within the timeframes specified in District Rule 4623, Table 3 shall constitute a violation of this rule. [District Rules 2201 and 4623]

15. If a component type for the tank is found to leak during an annual inspection, operator shall conduct quarterly inspections of that component type on the tank for four consecutive quarters. If no components are found to leak after four consecutive quarters, the operator may revert to annual inspections. [District Rules 2201 and 4623]

16. Any component found to be leaking by the operator on two consecutive annual inspections is in violation of the District Rule 4623, even if it is under the voluntary inspection and maintenance program. [District Rules 2201 and 4623]

17. Operator shall maintain an inspection log containing the following 1) Type of component leaking; 2) Date and time of leak detection, and method of detection; 3) Date and time of leak repair, and emission level of recheck after leak is repaired; 4) Method used to minimize the leak to lowest possible level within 8 hours after detection. [District Rules 2201 and 4623]

18. Permittee shall notify the APCO in writing at least three (3) days prior to performing tank degassing and interior tank cleaning activities. Written notification shall include the following: 1) the Permit to Operate number and physical location of the tank being degassed, 2) the date and time that tank degassing and cleaning activities will begin, 3) the degassing method, as allowed in this permit, to be used, 4) the method to be used to clean the tank, including any solvents to be used, and 5) the method to be used to dispose of any removed sludge, including methods that will be used to control emissions from the receiving vessel and emissions during transport. [District Rule 4623]
19. This tank shall be degassed before commencing interior cleaning by following one of the following options: 1) exhausting VOCs contained in the tank vapor space to an APCO-approved vapor recovery system until the organic vapor concentration is 5,000 ppmv or less, or is 10 percent or less of the lower explosion limit (LEL), whichever is less, or 2) by displacing VOCs contained in the tank vapor space to an APCO-approved vapor recovery system by filling the tank with a suitable liquid until 90 percent or more of the maximum operating level of the tank is filled. Suitable liquids are organic liquids having a TVP of less than 0.5 psia, water, clean produced water, or produced water derived from crude oil having a TVP less than 0.5 psia, or 3) by displacing VOCs contained in the tank vapor space to an APCO-approved vapor recovery system by filling the tank with a suitable gas. Degassing shall continue until the operator has achieved a vapor displacement equivalent to at least 2.3 times the tank capacity. Suitable gases are air, nitrogen, carbon dioxide, or natural gas containing less than 10 percent VOC by weight. [District Rule 4623]

20. The tank shall be cleaned using one of the following methods: water, hot water, solvents with an initial boiling point of greater than 302 F, solvents with a vapor pressure of less than 0.5 psia, or solvents with 50 grams VOC per liter or less. The tank sediment may be used for road mix as allowed by Section 6.17 of District Rule 2020. [District Rule 4623]

21. Steam cleaning shall be allowed only during December through March, or at locations where wastewater treatment facilities are limited. [District Rule 4623]

22. The permittee shall keep accurate records of the dates of inspection and monitoring and the components inspected and monitored. [District Rule 4623]

23. All records required to be maintained by this permit shall be maintained for a period of at least five years and shall be made readily available for District inspection upon request. [District Rules 2201 and 4623]

24. ATC S-6509-26-3 shall be implemented prior to or concurrent with this ATC. [District Rule 2201]
AUTHORITY TO CONSTRUCT

PERMIT NO: S-6509-29-1

LEGAL OWNER OR OPERATOR: HATHAWAY LLC
MAILING ADDRESS: PO BOX 81385
BAKERSFIELD, CA 93380-1385
LOCATION: HEAVY OIL CENTRAL

SECION: 19&20 TOWNSHIP: 27S RANGE: 27E

EQUIPMENT DESCRIPTION:
MODIFICATION OF THERMALLY ENHANCED OIL RECOVERY OPERATION (TEOR) SERVING UP TO 50 STEAM
ENHANCED WELLS: ALLOW FLARE S-6509-35 TO INCINERATE VAPORS

CONDITIONS

1. An operator shall not operate a steam-enhanced crude oil production well unless the operator complies with either of
the following requirements: The steam-enhanced crude oil production well vent is closed and the front line production
equipment downstream of the wells that carry produced fluids (crude oil or mixture of crude oil and water) is
connected to a VOC collection and control system as defined in Section 3.0 of Rule 4401, the well vent may be
temporarily opened during periods of attended service or repair of the well provided such activity is done as
expeditiously as possible with minimal spillage of material and VOC emissions to the atmosphere, or the steam-
enhanced crude oil production well vent is open and the well vent is connected to a VOC collection and control system
as defined in Section 3.0 of Rule 4401. [District Rule 4401]

2. When operated with closed casing vents, production from TEOR operation shall be sent to vapor controlled tanks S-
6509-15, 16, and 18 and/or S-6509-26 through 28. [District Rule 2201]

3. When operated with open casing vents, vapors from TEOR operation shall be combusted in flare S-6509-35 or permit
exempt equipment. [District Rule 2201]

4. Permit exempt heater shall combust only natural gas containing no more than five (5) percent by weight hydrocarbons
heavier than butane and no more than 1.0 grain of total sulfur per 100 standard cubic feet of gas. [District Rule 2020]

5. VOC and sulfur content of natural gas combusted by permit exempt heater shall be tested and recorded not less than
every 12 months using methods ASTM D-1945, ASTM D-3588, ASTM D-3246, and EPA Method 18 referenced as
methane or equivalent test method with prior District approval. [District Rule 2201]

CONDITIONS CONTINUE ON NEXT PAGE

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OPERATING THE EQUIPMENT OR MODIFICATIONS AUTHORIZED BY THIS AUTHORITY TO CONSTRUCT. This is NOT a PERMIT TO OPERATE.
Approval or denial of a PERMIT TO OPERATE will be made after an inspection to verify that the equipment has been constructed in accordance with the
approved plans, specifications and conditions of this Authority to Construct, and to determine if the equipment can be operated in compliance with all
Rules and Regulations of the San Joaquin Valley Unified Air Pollution Control District. Unless construction has commenced pursuant to Rule 2050, this
Authority to Construct shall expire and application shall be cancelled two years from the date of issuance. The applicant is responsible for complying with
all laws, ordinances and regulations of all other governmental agencies which may pertain to the above equipment.

Seyed Sadredin, Executive Director / APCO

Amaud Marjollet, Director of Permit Services

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6. Leaks exceeding an instrument reading of 10,000 ppmv are a violation of this permit. [District Rules 2201 and 4401]

7. Fugitive VOC emissions from TEOR operation shall not exceed 2.3 lb/day. [District Rule 2201]

8. Permittee shall maintain records of the date and well identification where steam injection or well stimulation occurs, current list of all thermally enhanced production wells associated with this operation, the permit numbers of tanks receiving production from the TEOR operation, leak inspection results, and accurate fugitive component counts of components in gas service and resulting emissions calculated using the emission factors in the CAPCOA California Implementation Guidelines for Estimating Mass Emissions of Fugitive Hydrocarbon Leaks at Petroleum Facilities, Table IV-2c, Oil and Gas Production Screening Value Ranges Emission Factors (Feb 1999). [District Rule 4401]

9. All records shall be maintained and made readily available for District inspection upon request for a period of five years. [District Rule 1070]

10. The operator shall maintain a copy of the latest APCO-approved Operator Management Plan (OMP) at the facility and make it available to the APCO, ARB, and US EPA upon request. [District Rule 4401]

11. By January 30 of each year, the operator shall submit to the APCO for approval, in writing, an annual report indicating any changes to the existing, approved OMP. [District Rule 4401]

12. In accordance with the approved OMP, the operator shall meet all applicable operating, inspection and re-inspection, maintenance, process pressure relief device (PRD), component identification, record keeping, and notification requirements of Rule 4401 for all components containing or contacting VOCs at this facility except for those components specifically exempted in Section 4.0 of Rule 4401. [District Rule 4401]

13. The operator shall maintain an inspection log that has been signed and dated by the facility operator responsible for the inspection, certifying the accuracy of the information recorded in the log. The inspection log shall contain, at a minimum, all of the following information: 1) The total number of components inspected, and the total number and percentage of leaking components found by component types; 2) The location, type, name or description of each leaking component and the description of any unit where the leaking component is found; 3) Date of the leak detection and method of the leak detection; 4) For gaseous leaks, record the leak concentration in ppmv, and for liquid leaks record whether the leak is a major liquid leak or a minor liquid leak; 5) The date of repair, replacement, or removal from operation of the leaking component(s); 6) The identification and location of essential components and critical components found leaking that cannot be repaired until the next process unit turnaround or not later than one year after leak detection, whichever comes first; 7) The method(s) used to minimize the leak from essential components and critical components found leaking that cannot be repaired until the next process unit turnaround or not later than one year after leak detection, whichever comes earlier; 8) The date of re-inspection and the leak concentration in ppmv after the component is repaired or is replaced; 9) The inspector’s name, business mailing address, and business telephone number; and 10) The date and signature of the facility operator responsible for the inspection and repair program certifying the accuracy of the information recorded in the log. [District Rule 4401]

14. Records shall be maintained of each calibration of the portable hydrocarbon detection instrument utilized for inspecting components. The records shall include a copy of the current calibration gas certification from the vendor of the calibration gas cylinder, the date of calibration, the concentration of calibration gas, the instrument reading of calibration gas before adjustment, the instrument reading of calibration gas after adjustment, the calibration gas expiration date, and the calibration gas cylinder pressure at the time of calibration. [District Rule 4401]

15. All records required by this permit shall be maintained and retained on-site for a minimum of five (5) years and made available for District, ARB, and EPA inspection upon request. [District Rule 4401]

16. ATC S-6509-29-0 shall be implemented prior to or concurrently with this ATC. [District Rule 2201]

17. S-6509-35-0 shall be implemented concurrent with this ATCs. [District Rule 2201]
AUTHORITY TO CONSTRUCT

PERMIT NO: S-6509-35-0

LEGAL OWNER OR OPERATOR: HATHAWAY LLC
MAILING ADDRESS: PO BOX 81385
BAKERSFIELD, CA 93380-1385

LOCATION: HEAVY OIL CENTRAL
SECTIONS: 20  TOWNSHIP: 27S  RANGE: 27E

EQUIPMENT DESCRIPTION: 50 MSCF/DAY FLARE WITH A COANDA EFFECT FLARE TIP SERVING THE VAPOR CONTROL SYSTEMS LISTED ON PERMITS S-6509-26 AND S-6509-29

CONDITIONS

1. No air contaminant shall be released into the atmosphere which causes a public nuisance. [District Rule 4102]
2. No air contaminant shall be discharged into the atmosphere for a period or periods aggregating more than three minutes in any one hour which is as dark as, or darker than, Ringelmann 1 or 20% opacity. [District Rule 4101]
3. Particulate matter emissions shall not exceed 0.1 grains/dscf in concentration. [District Rule 4201]
4. The exhaust stack shall vent vertically upward. The vertical exhaust flow shall not be impeded by a rain cap (flapper ok), roof overhang, or any other obstruction. [District Rule 4102]
5. Flare shall be equipped with a non-resettable, totalizing flare gas volume flow meter. [District Rules 2201 and 4311]
6. A flame shall be present at all times when combustible gases are vented through the flare. [District Rule 4311]
7. The flare shall be equipped with a continuous pilot. [District Rule 4311]
8. The flare shall not incinerate more than 50 Mscf/day of gas. [District Rules 2201, 4102, and 4311]
9. Emission rates from this unit shall not exceed any of the following limits: NOx (as NO2) - 0.068 lb/MMBtu; VOC (as methane) - 0.063 lb/MMBtu; CO - 0.37 lb/MMBtu or PM10 - 0.008 lb/MMBtu. [District Rule 2201]
10. Gas sulfur content shall not exceed 10 gr/100 scf. [District Rules 2201 and 4801]

CONDITIONS CONTINUE ON NEXT PAGE

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Seyed Sadredin, Executive Director / APCO

Arnaud Marjollet, Director of Permit Services
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11. The operator shall notify the APCO of an unplanned flaring event within 24 hours after the start of the next business day or within 24 hours of their discovery, whichever occurs first. The notification shall include the flare source identification, the start date and time, and the end date and time. [District Rule 4311]

12. The operator of a flare subject to flare minimization plans pursuant to Section 5.8 shall submit an annual report to the APCO that summarizes all Reportable Flaring Events as defined in Rule 4311 Section 3.0 that occurred during the previous 12 month period. The report shall be submitted within 30 days following the end of the twelve month period of the previous year. [District Rule 4311]

13. Copies of approved flare minimization plan pursuant to Rule 4311 Section 6.5 shall be made readily available to the APCO, ARB, and EPA upon request for a minimum of 5 years. [District Rule 4311]

14. Permittee shall maintain accurate daily records of volume, type, higher heating value, and sulfur content and of gas flared. [District Rule 2201]

15. The operator of a flare shall submit an annual report to the APCO as specified in Rule 4311 Section 6.2.3 within 30 days following the end of each 12 month period. [District Rule 4311]

16. All records shall be maintained and retained on-site for a minimum of five (5) years, and shall be made available for District inspection upon request. [District Rule 2201]