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On July 28, 2011, the Environmental Protection Agency met a court deadline by proposing broad new regulations of air emissions from upstream and midstream oil and gas operations. The proposed rule would require "green completions" at an estimated 22,000 hydraulically fractured natural gas wells nationwide. Oil and gas operators would face more stringent requirements at natural gas processing plants, compressor stations, transmission and storage facilities. EPA estimates that compliance with the new requirements will cost \$754 million nationwide in 2015, although EPA believes the rules will net a \$29 million savings through the recovery of natural gas and condensate that is currently vented or flared.

The 600-page proposal would tighten the 1985 New Source Performance Standards ("NSPS") for natural gas processing plants (40 C.F.R. Part 60 Subparts KKK and LLL). EPA also proposes to tighten the 1999 Maximum Achievable Control Technology ("MACT") standards covering major sources in the oil and gas production category (40 C.F.R. Part 63 Subpart HH) and natural gas transmission and storage category (40 C.F.R. Part 63 Subpart HHH).

The most high profile aspect of the proposed rules would require the use of green completions, also called reduced emissions completions, when natural gas wells (but not oil wells) are hydraulically fractured or re-fractured. Green completions capture VOCs and hydrocarbons from frack fluid flowback. There is an exception for exploratory and delineation wells because they are usually not close to a natural gas gathering line. When it is safe to do so, such wells would control VOCs by "pit flaring," a process where the frack fluid flowback passes through a continuous ignition source as it is discharged from a pipe into a pit.

According to EPA, the value of the hydrocarbons will exceed the cost of green completions. The EPA bases its calculations on a wellhead price of \$4 per thousand cubic feet (Mcf) for recovered gas and \$70 per barrel for recovered condensate.

Other aspects of the proposed rules are more wide-ranging and may pose greater compliance burdens. The revised NSPS would reach beyond gas

processing plants. It would cover all oil and gas operations, including compressors, pneumatic controllers and storage vessels at wells and transmission facilities. For example, the proposed NSPS would essentially require the use of non-gas-driven pneumatic controllers at gas plants and the use of low bleed gas-driven controllers at other locations. It would require most storage vessels to reduce VOC emissions by 95%, would impose more stringent leak detection and repair requirements, and would require 99.9% reductions in sulfur dioxide (SO₂) emissions from some gas plants.

The revised MACT standards would remove the exemptions for small glycol dehydrators at production and transmission facilities. All glycol dehydrators at new and existing major sources would face an emissions limit for benzene, toluene and xylenes ("BTEX"). The revised MACT standards would delete a flexible compliance option for large glycol dehydrators, requiring all large dehydrators to reduce air toxics emissions by 95%. Every storage vessel at major source production facilities would be required to reduce emissions by 95%. This is a change from the current MACT standards, which cover only storage vessels with the potential for flash emissions. The proposed rule would also eliminate the current exemptions for startup, shutdown and malfunction events.

The proposed NSPS contains an exemption from Title V operating permit requirements. Sources would not require a Title V permit solely because they are subject to the proposed NSPS. Because the proposed MACT standards relate only to major sources, they do not contain a Title V exemption.

The EPA will accept comment on the proposed rules for 60 days after they are published in the Federal Register. EPA must finalize the rules by February 28, 2012.

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