



California Independent Petroleum Association
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**Supplemental Comments of the California Independent Petroleum Association
on the Proposed Greenhouse Gas Emission Standards for
Crude Oil and Natural Gas Facilities (2/1/15 version)**

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Via electronic submittal to: joseph.fischer@arb.ca.gov

The California Independent Petroleum Association (CIPA) appreciated the opportunity sit down and walk through the regulation with you and your management. CIPA's previous comment letter highlighted clarifications to the regulation that are needed to ensure it is implementable and enforceable. We believe the discussion was productive and look forward seeing some additional clarification in the next version of the regulation. We also discussed the timing of the process and agree that additional time and another opportunity to meet on this locally is a positive development.

The mission of CIPA is to promote greater understanding and awareness of the unique nature of California's independent oil and natural gas producer and the market place in which he or she operates; highlight the economic contributions made by California independents to local, state and national economies; foster the efficient utilization of California's petroleum resources; promote a balanced approach to resource development and environmental protection and improve business conditions for members of our industry.

As we discussed, CIPA members provided additional comments that were not able to be incorporated into the earlier comment letter. This letter includes both those comments, as well as, some additional thoughts after our walk through of the regulation.

CIPA's concerns are summarized below:

- Definition Clarity
- Circulation Tank Controls
- Remaining Implementation and Enforcement

Definition Clarity

This Regulation has a number of new definitions for ARB with some of them coming from local district rules or other reference materials. Because definitions are critical to the understanding of the rule by the regulated community, it is key to ensure they are as tightly written as possible. With that in mind, here are a few definition issues that CIPA believes are still unclear.

1. Condensate definition – Based on the current drafting, condensed steam would be considered Condensate. This broad reading would include steam as being regulated.
Suggested Amendment: “Condensate” means hydrocarbon or other liquid, excluding steam, either produced or separated from crude oil or natural gas during production and which condenses due to changes in pressure or temperature. (Alternatively the following sentence could also be added: “For the purposes of this section the term condensate does not apply to steam.”)
2. Facility definition – This definition could be clarified such that subsections (1) through (3) inclusively define a complete facility, rather than each building structure or installation being its own facility.
3. Natural Gas Underground Storage – This definition needs to explicitly exclude gas injection wells for disposal.
Suggested Amendment: “Natural gas underground storage” means all equipment and components associated with the subsurface storage of natural gas at a PUC regulated gas storage facility in depleted crude oil or natural gas reservoirs, or salt dome caverns.
4. Separator and Separator and Tank System definitions (Items 49/50) – These definitions contain circular references which could cause confusion.
5. Vapor Pressure definition – CIPA recommends using an API or established industry definition.
6. There are a number of requirements related to “fuel gas”, but this term is not defined.
7. Underground injection well definition – CIPA recommends keeping the definition of the term, but changing the term itself to “Gas Disposal Well”. This change is also needed three times within the regulation.

CIPA recommends CARB revisit and clarify the definitions noted above.

Circulation Tank Controls

Though CIPA members are not currently engaged in widespread use of Circulation Tanks, the controls required to comply with this temporary activity are out of step with their potential benefits. In addition, CIPA has similar safety and cost concerns regarding these provisions as previously expressed by WSPA.

CIPA recommends staff revisit the necessity, cost-effectiveness and safety concerns surrounding these provisions.

Implementation and Enforcement

Section 95672(a) related to Flash Analysis Testing: CIPA recommends modifying the 90 day reporting requirement for submittal of flash testing requirements during implementation phase. This issue was discussed during our meeting and could potentially create rolling series of data submittals if a large number of tanks are involved. Allowing for a single submittal of all test results after reasonable period of time has been allowed to conduct the testing for all qualified equipment may be a better approach.

The enforcement provisions of the regulation codify double jeopardy for regulated parties as well as formal regulatory implementation decisions outside of the Administrative Procedures Act. Significant concerns remain over these topics, including the local air district Memorandum of Agreement or Understanding process and the uncertain nature in which

these regulations could be enforced and penalties assessed. CIPA's February 24th letter more fully explained these concerns.

CIPA strongly recommends that prior to regulatory adoption, these pending implementation and enforcement issues are resolved in the public domain, including the elimination of possible double jeopardy.

CIPA respectfully submits these supplemental comments that build upon earlier concerns addressing regulatory scope, implementation timeframes, need for additional language/clarity on implementation and enforcement and the regulation's cost impacts. As this process moves forward, CIPA looks forward to future working meetings and to continually working with you to improve the regulation. Thank you for your attention to this important matter. Any questions or follow-up comments can be directed to rock@cipa.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rock Zierman', with a long horizontal flourish extending to the right.

Rock Zierman
CEO

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