

**Engineers Oil Company**  
5508 Via Ravenna  
Bakersfield, California 93312  
(661) 477-2119

February 29, 2016

Joe Fischer, Project Lead  
Oil & Gas Regulation  
California Air Resources Board  
P.O. Box 2815  
Sacramento, CA 95812

Subject: February 1, 2016 Draft Regulations

Dear Mr. Fischer:

As oil prices decline, workers are laid off and companies go bankrupt. When companies go out of business, production facilities deteriorate. Without daily inspection and routine maintenance, gas will start leaking from these nonproducing wells, pipelines and tanks. The referenced draft regulations would add significantly to an operator's burden of low prices. If meaningful reduction in methane emissions is the objective, regulating companies to the point of bankruptcy is not an effective strategy. Only a rigorous cost/benefit analysis can remedy the unintended consequences of these regulations.

I have the following specific comments:

1. Small Business and Small Producer Impacts: Many operators are small businesses that do not produce much oil. The draft regulations would be very burdensome for many small operators. For regulations developed by California agencies, a specific analysis of the impact upon small businesses is required. Based upon this analysis, requirements must be justified for all operators, but especially for small businesses. This would likely lead to the easing of regulations because the costs of regulations would exceed the benefits. The Air Resources Board needs to analyze the impact on small businesses, including small production facilities.
2. How Much Methane is Present in Low Gravity Oil? Heavy oil (less than 20 gravity) could not contain much methane. There is some amount of such oil below which the production of 10 metric tons per year would not be possible. Developing an emissions analysis showing that a facility could not exceed the 10 metric ton methane threshold would provide the technical basis for supporting an exemption from testing. As a small business, we do not have the resources to do that. The regulations should recognize an exemption for gravity and annual production below certain ranges that would not produce methane over the 10 metric ton limit. The ARB needs to do this analysis as part of an overall cost/benefit analysis.
3. Leak detection and Repair (LDAR): Section 95668 contains an incorrect reference in subsection (a)(6), It appears that the reference should be to section 95668(a)(5). Since that reference appears to provide an exemption from LDAR, shouldn't section 95669 start out with the phrase, "*Except as provided in section 95668 (a)(6), the following requirements....*" ? That exemption appears to be very reasonable given the 10 metric ton standard.

4. Fewer Flash Tests for Complying Operators: I was curious about how much methane is produced by our facility so I had a flash test carried out. From the calculations made in accordance with a previous edition of the proposed regulation, our operations produce quite a bit less than one metric ton of methane per year. Even if we produced as much as 50 bbls a day, less than 1.5 metric tons per year would be produced.

The test cost about \$1250 plus staff time and we would need two tests for our facilities. Knowing that testing is expensive for small businesses, I suggest under this circumstance that less testing be required by adding the phrase shown in italics to section 95668(a)(7) as follows:

(7) Owners or operators of separator and tanks with a flash emission rate less than or equal to 10 metric tons per year of methane shall conduct flash analysis testing and reporting annually. *If the results of flash analysis testing are less than or equal to five metric tons per year of methane for one year of test results, or are less than or equal to 10 metric tons per year of methane using three consecutive years of test results, the owner operator may reduce the frequency of testing and reporting to once every five years.*

Again, we strongly recommend a rigorous cost/benefit analysis to remedy the unintended consequences of these draft regulations.

If you have any questions, please give me a call.

Sincerely,



Mark A. Smith  
Manager