



January 4, 2010

Clerk of the Board
Air Resources Board
1001 I Street
Sacramento, CA 95814

RE: Comments on the Amendments to the Statewide Portable Equipment Registration Program (PERP) and Airborne Toxic Control Measure for Diesel Fueled Portable Engines (Portable Engine ATCM)

Dear Board Members,

The purpose of Nabors Well Services Co's (NWSC) letter is to submit comments on the proposed Amendments to the Statewide Portable Equipment Registration Program (PERP) and Airborne Toxic Control Measure for Diesel Fueled Portable Engines (Portable ATCM). NWSC would like to thank CARB and the CARB staff for the opportunity to participate in the development of the PERP and Portable ATCM for the past 15 years. During this time period, we have developed a great working relationship with staff and have worked collectively to achieve consensus on some challenging solutions. I hope you take time to read our comments.

Support of the Amendments

After reviewing of the Staff Report and a conference call with staff, NWSC supports the following proposed amendments to PERP and Portable ATCM:

- Non-Certified Engine Extension – NWSC supports staff's proposal to expend a limited relief to small fleets due to the current state of the economy.
- On-Highway and Marine Engines – NWSC supports staff's proposal to allow on-highway and marine engines back into the PERP.
- Recordkeeping and Reporting – NWSC supports staff's proposal for the removal of daily recordkeeping and annual reporting on certified engines registered in PERP. This amendment would reduce recordkeeping red tape that was very expensive and did not generate a reduction in emissions.

Discussion of Large Fleets

NWSC participated in the development of the PERP and Portable ATCM and all the subsequent amendments in 1998, 2004, 2006, 2007, and 2008. During the review of the Staff Report, we located a section that compiled a discussion of large fleets. The section from the Staff Report is quoted: "In addition, most larger companies that own more than 25 engines have been registered in PERP since it started in 1997. Therefore, these companies had sufficient time to plan for the replacement of their Tier 0 engines by the January 1, 2010 deadline. In addition, these larger companies would not suffer the same level of financial burden from replacing these older engines as would smaller companies that have fewer resources." Here is our discussion:

- Most large companies were registered in PERP or permitted in the local air district programs in 1997 because it was the law. Permits for portable equipment were required as far back as 1985. If your company was not registered or permitted in 1997, you were a Scofflaw that operated equipment without complying with the state and local regulations.
- The large companies did have sufficient time to plan for the replacement of their Tier 0 engines, 13 years to be exact. The large companies did not receive a special deal with the 13 years because every company operating in California had the same 13 years. But remember, this proposal extends a special deal to small fleets and not to large fleets.
- The smaller companies would suffer a larger financial burden from replacing their older engines today than the large companies because the large fleets will be in compliance on December 31, 2009. But large companies have suffered a larger financial burden over the past 13 years than smaller companies. During these 13 years, the large fleets have experienced: (1) registration fees, (2) recordkeeping cost on daily operations, (3) annual reporting cost, (4) equipment inspection fees, (5) limitation of hours of operation, (6) after July 2001, complying companies were not allowed overhaul Tier 0 engines, (7) after July 1998, all new registrations were required to have the most stringent emission standards – certified engines, and (8) the large capital investments in their fleets to remain in business in California.
- The largest amount of financial suffering by large fleets occurred with the competitive disadvantage between complying companies and non-complying companies (i.e. scofflaws or companies opting out of the required regulations). Complying companies were required by regulations to make large capital investments in their fleets to remain in business in California, while the non-compliant companies were allowed to operate without investing any capital in their fleets. The fleets making the capital investments would realize a smaller profit or even a loss while the fleets making no capital investments can sell their goods and services at a lower cost because their costs are lower. This is a major form of financial burden placed on complying companies for 13 years.

On-Highway and Marine Engines

Staff is proposing to allow certified on-highway and marine engines back into PERP program. This is another great suggestion. NWSC's problem with this proposal is that in July 2009, we received a letter notifying us that all of the certified on-highway engine registration will have a deadline of December 31, 2009. NWSC is required by its customers to have the equipment and personnel ready at their request. NWSC had to transport two mud pumps from the Rocky Mountain District and register the mud pumps in PERP and with the DMV at a total cost of \$16,000.00. These two mud pumps were sent to the field as relief to bring in working mud pumps with certified on-highway engines. NWSC had five (5) mud pumps that would require replacement engines and transmissions at a total cost of \$750,000.00. NWSC made a total investment of \$766,000 for the replacement and the installation of certified on-highway engines with off-road engines which this proposal will now allow these certified on-highway engines to be operated in the PERP. How does CARB mitigate the losses incurred by NWSC? Why wasn't the decision of allowing certified on-highway engines to remain in PERP made sooner? NWSC cannot wait until the last day in hopes that CARB will make a decision.

Inspection of Tier 0 Engines

NWSC's recommendation is for CARB and the local air districts to conduct inspections on all the registered and permitted fleets to insure that all the other Tier 0 engines that were not allowed to receive the proposed extension are now replaced or retired. Another recommendation is to continue field inspections to locate Scofflaws and require them to comply with the regulations. For the regulation to be fair to fleets that would spend considerable funds and effort to comply, fleets must be assured that all the requirements of PERP and Portable ATCM are applied to all companies. Staff should recognize that creating a level playing field for all affected fleets is important.

Large fleets have suffered at a higher level of financial burden over the past 13 years than small fleets with the largest amount of suffering occurring at the hands of the competitive disadvantage. "Small fleets have small problems and large fleets have large problems." NWSC will continue working on the PERP and the Portable ATCM in the future. If you have any questions regarding our comments, please contact me at 661-391-1623 or by e-mail at james.thomas@nabors.com.

Sincerely

A handwritten signature in cursive script that reads "James Thomas".

James Thomas
Administrative & Regulatory Affairs Manager