

STATE OF COLORADO

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Colorado Department
of Public Health
and Environment

September 28, 2009

Mr. David Neslin, Director
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, Colorado 80203

Re: CDPHE Recommendations for the Chevron Collection Station No. 47 Request for a Variance from COGCC Rule 805.b(2)B

Dear Mr. Neslin:

This letter describes the review by the Colorado Department of Public Health and Environment (CDPHE) regarding the Chevron USA Collection Station No. 47 variance request, pursuant to COGCC Rule 502.b(1). This variance request was explained in a September 15, 2009 letter from Ken Wonstolen to you. CDPHE staff participated in a meeting held at the CDPHE on Friday September 18, 2009, to discuss this variance request with representatives of Chevron.

The CDPHE recommends approval of the variance request (with the conditions listed at the end of this letter). CDPHE is making this recommendation on the basis of the combined circumstances associated with Collection Station No. 47; not any single circumstance. The combined circumstances are as follows:

1. Acknowledging that determining an emission rate from the equipment in question would require analysis, Chevron began conducting emissions testing from this facility with assistance from CDPHE starting in early 2009. The emissions testing methodology that Chevron used included both mass balance and stack testing. Recently, Chevron received the results from stack testing that indicated the produced water tank at Collection Station No. 47 would emit greater than 5 tpy of VOCs and therefore would be subject to the requirements of Colorado Oil and Gas Conservation Commission Rule 805.b(2)B. In view of Chevron's proactive efforts to evaluate these emissions and the short time period between receiving the stack test results that rendered the equipment in question subject to Rule 805.b(2)B and the date Rule 805.b(2)B becomes effective (October 1, 2009), CDPHE agrees with Chevron that it requires additional time to determine which control device to use to meet the requirements of Rule 805b.(2)B. Chevron is evaluating whether to use a closed loop system or a Vapor Recovery Unit (VRU) (see below).
2. During discussions with Chevron, we learned that this is not a typical produced water facility. This facility is over 30 years old and has an established infrastructure to produce gas that is high in CO₂, using enhanced recovery techniques. Chevron explained that a flare is not a viable emission control option at this time due to the absence of available and usable produced gas from the field. Specifically, the produced gas is rich in CO₂ and does not have the Btu content necessary to sustain a pilot flame in a flare, without further processing, which is currently accomplished offsite. This means that introducing power to

the site that is necessary to operate the VRU combined with complicated construction during approaching winter months would likely cause a greater nuisance than waiting for Chevron to complete an evaluation of the merits of installing a closed loop system. Such a system would provide greater emission reductions while minimizing the general impact and noise associated with installing and operating a flare or VRU system. Chevron has requested a 12-month variance from the rule to fully analyze their emission control options, install and begin operating new emission control equipment.

3. Chevron also explained that this facility has been in operation for more than 30 years and has never received an odor complaint from the several residents located within 1/4 mile of the equipment in question

As mentioned above, CDPHE recommends that COGCC approve Chevron's variance request, provided the following conditions are attached to the variance:

- By February 1, 2010, Chevron completes its business and technical analysis to determine what modifications will be made to the facility, inform COGCC and CDPHE of the decision, and provide a schedule for installing and operating the required emission control equipment.
- Beginning January 1, 2010, Chevron provides a quarterly report updating COGCC and CDPHE on progress toward meeting Rule 805.b(2)B requirements.
- By February 1, 2010, Chevron sends all residents within 1/4 mile of Collection Station No. 47 a letter. This letter will: 1) describe the emission control equipment upgrades to the produced water tank planned for the purpose of complying with the COGCC regulations and 2) state that the emission controls will be installed no later than October 1, 2010, pursuant to the conditions of the Rule 805 variance conditions.

The foregoing recommendations constitute CDPHE's consultation on potential public health, welfare, safety, and environmental impacts associated with Chevron's request for a variance from COGCC Rule 805.b(2)B for Collection Station No. 47, pursuant COGCC Rule 502.b(1). If there are questions regarding these recommendations or discussion would be helpful, please contact me at (303) 692-3662.

Sincerely,

Kent Kuster
Oil and Gas Consultation Coordinator
CDPHE

cc: Kate Fay, Energy Manager, CDPHE
Kenneth Wolstolen, Beatty & Wozniak, P.C.
Tom Loftus, Senior Counsel, Chevron USA
Jeff Madison, Local Government Designee, Rio Blanco County