

March 25, 2010

More Proposed Regulation of Oil and Gas Operations: Greenhouse Gas Reporting and Changes to Air Permits

Over the last several years, the environmental agencies have increased their focus on air quality issues associated with oil and gas production activities. For example, EPA withdrew its memorandum that limited the extent to which production facilities could be combined with processing facilities for evaluation of federal air permitting requirements. On March 23, 2010, both EPA and the TCEQ announced new proposals that would increase air quality regulation of the oil and gas industry.

EPA has announced that it will require oil and gas facilities to monitor and report emissions of greenhouse gases (GHGs). TCEQ announced its intent to tighten the requirements for oil and gas facilities to qualify for expedited state air quality permits.

Both proposals will have significant impact on the industry, and owners/operators of affected facilities may wish to monitor and participate in the development of the proposals.

EPA GHG Monitoring/Reporting Proposal

EPA's announcement stated that it will propose that oil and gas facilities that annually emit 25,000 or more metric tons of GHGs (measured as carbon dioxide equivalent, which includes carbon dioxide and methane) be required to monitor and report annual GHG emissions. The types of facilities that would be affected include:

- onshore and offshore petroleum and natural gas production facilities,
- onshore natural gas processing facilities,
- onshore natural gas transmission compression facilities,
- onshore natural gas storage facilities,
- liquefied natural gas import and export facilities, and
- certain natural gas distribution facilities.

EPA is specifically soliciting comments on whether the reporting requirements for onshore petroleum and natural gas production facilities should be applicable to sources with 10,000 or more metric tons of GHG per year. Additionally, EPA is proposing broader definitions than used in existing GHG reporting requirements of what equipment constitutes the facility. For example, the facility for onshore petroleum and natural gas production would include all wells in a single hydrocarbon basin that are under common ownership or common control.

Under the proposal, facilities not already subject to the reporting requirement would have to collect emission data in 2011 with the initial report due in 2012. The proposal would require larger sources to directly measure GHG emissions while smaller sources could use emission factors, engineering estimates, and other indirect measures of determining emissions.

Detailed information on the proposal is available on [EPA's Web site](#). At that site you will also find information on a related proposal that may be of interest – GHG monitoring and reporting requirements applicable to carbon sequestration facilities. Following publication of the proposals in the *Federal Register*, EPA will accept public comments prior to taking final action.

TCEQ Air Quality Permitting Requirements

Largely in response to concerns regarding activities in the Barnett Shale area of North Texas, TCEQ is developing a proposal that would limit the ability of owners of oil and gas production facilities to qualify for expedited air quality permitting authority. Currently, TCEQ has a permit by rule a/k/a PBR, (30 T.A.C. §106.352) that authorizes oil and gas production facilities that meet certain conditions; notice to the TCEQ is not required under the permit by rule unless the facilities are in “sour” service.

The draft proposal would revise the PBR to require notice to or registration with the TCEQ, minimum property line setbacks, use of specified best management practices, and provisions addressing maintenance, start-up, and shut-down emissions. TCEQ is also proposing to revise its standard permit for oil and gas facilities that could be used by facilities that do not qualify for the PBR. The standard permit requires registration with the TCEQ, but would provide authorization more quickly and easily than if the owner applied for a regular air quality permit.

TCEQ is holding a stakeholder meeting on April 8, 2010 at 9:00 a.m. in the TCEQ's Austin office. The meeting can also be observed via the internet. TCEQ will accept public comments on limited issues until April 16, 2010. The agency will then formally publish the proposed PBR and standard permit and accept public comments on all issues. More detailed information on this process is available from the [TCEQ's Web site](#).

Please feel free to contact us if you have any questions regarding these matters.

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