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United States Environmental Protection Administration
Washington, DC 20460

RE: Docket ID No. OPA – 2004-0007-Comments

Gentlemen:

We offer the following comments regarding the Notice of Data Availability appearing at 69 FR 56182 - 56184 on 20 September 2004. The Notice made available a tiered SPCC compliance alternative proposed by the U.S. Small Business Administration (SBA) in "Spill Prevention, Control and Countermeasure (SPCC) Issues" comments dated 30 September 2003 and excerpted by EPA as part of Document OPA-2004-0007-0001 at pg. 8.

We concur with the concept of a tiered alternative, but not in the form SBA proposes, because that form does not meet the needs of the Exploration and Production (E&P) function of the Petroleum Industry. We believe EPA should adopt the SBA compliance alternative. In addition, we offer and recommend for adoption, a three-tiered compliance alternative, which will provide the desired spill protection and prevent premature abandonment of mature oil and gas wells.

A Three-Tiered SPCC Plan Model for E&P Operations

Proposed Tiers

The concept of an E&P three-tiered SPCC model appears reasonable, because:

- a) Stripper operations will be financially harmed by the cost of a Professional Engineer certified SPCC Plan. Stripper wells produce at small rates of crude oil (≤ 10 bbl per day per well) or condensate and/or natural gas ($\leq 60,000$ cuft per day per well).

- b) Non-stripper facilities having $\leq 1,200$ bbl of crude oil or condensate storage capacity present such a small risk that EPA did not evaluate the potential risk in their economic analysis prepared in support of the 2002 SPCC revised rule.
- c) Large non-stripper facilities, having $>1,200$ bbl of storage capacity represent a spill risk, since production rates of oil or condensate are large, even though EPA did not include these large facilities in their financial analysis.

Proposed Requirements

- a) **Tier 1.** Stripper well fields (≤ 10 BDO/well) would be exempt from preparing an SPCC Plan, unless and until a reportable release of oil or condensate occurs.
- b) **Tier 2.** E&P non-stripper facilities having $\leq 1,200$ bbl crude oil/condensate storage capacity would be required to commit, in writing to the Regional Administrator, to annual facility inspections and personnel training in accordance with the 2002 SPCC Plan rule. No SPCC Plan would be required unless and until the facility experiences a reportable oil or condensate release.
- c) **Tier 3.** E&P non-stripper facilities having $>1,200$ bbl crude oil/condensate storage capacity would be required to prepare an SPCC Plan in accordance with the 2002 SPCC Plan rule.

Rationale

- a) **Tier 1.** The Interstate Oil and Gas Compact Commission (IOGCC, 2003, p.3 and p. 11, respectively, attached), estimates at the end of 2002 there were 402,072 stripper oil wells in the U.S. producing an average of 2.21 BDO/well and 245,961 stripper gas wells in the U.S. producing 15,800 cuft/day/well.

IOGCC (2003) found in 2003:

“Marginal (stripper) oil production accounts for 30 percent of domestic onshore production in the lower 48 states.”

U.S. Department of Energy, 2004 (attached) states:

“Stripper wells are important to the energy security of the U.S., representing 10% of the natural gas produced onshore in the lower 48 states. They are even more critical in meeting near-term increases in gas demand as the increased production from stripper gas wells accounted for 43% of the overall rise in domestic production between 2001 and 2002.”

The Department of Energy continues:

“The majority of these wells are owned and operated by small independent companies, who operate on very small marginal budgets.”

Based on personal contacts with operators of stripper wells, the monthly operating cost for 2.21 BOD well is about \$2,737 based on a stripper well producing 88% water in Texas. These costs include overhead: corrosion inhibition, hot-oiling for wax control, contract pumper services, produced water disposal, pump electricity, maintenance, pro-rated well pulling every 18 months and royalty payment. Even at today’s exaggerated oil prices, this leaves a profit of about \$550 per month. The cost of an SPCC Plan for a one well lease requires a half-year’s profit for an average stripper well. If the well produced less than the average, there is no profit for an entire year.

These low-budget operations cannot tolerate \$3,500 for an SPCC Plan. Reports of stripper operations in Kentucky, New York, Ohio, Pennsylvania, and West Virginia make it abundantly clear; most of these operations are one well facilities, operated by the property owner. The property owner serving as the pumper eliminates \$ 340 per month for contract pumper services. Nevertheless, the cost of the plan would be so severe the operators would be forced to prematurely abandon these stripper wells. “Once this is done, those resources are typically lost forever”. (U.S. Department of Energy, 2004, attached). This would be a severe energy blow to a country (U.S.) importing 60% of oil energy needs. Stripper wells need relief from the costly burden of preparing and implementing an SPCC Plan.

- b) **Tier 2.** Many E&P producing facilities include surplus tankage, because the tank batteries were sized for early peak oil or condensate production. With time, the fields mature, production rates decrease and produced water volumes increase. This is a characteristic of all oil and gas wells. The surplus tankage is left in place because removing tanks is costly and the salvage value low. The initial production rate of a well or field is not known before production commences. The majority of shallow wells are drilled by independents. As a rule of thumb, these wells are provided into three or four 300 bbl or 400 bbl tanks. This provides independent operators with tankage for oil and produced water on an interchangeable basis, if the production has decreased or is lower than anticipated. Providing a Tier 2 cut-off at 1,200 bbl storage capacity provides an incentive to disconnect surplus hydrocarbon tankage. Most small mature operations can reduce tankage without increasing the risk of hydrocarbon release.

In addition to the uncertainty of the rate of production, many old fields in Kansas continue to produce into redwood stave tanks. These tanks no longer meet API tank standards. Accordingly, under the Professional Engineers certification

provision (40 CFR Part 112.3 (d)(1)(iii)) requiring consideration of applicable standards, an SPCC Plan cannot be certified for the leases using redwood stave tanks. Typically, these facilities utilize 300 bbl wooden tanks. The cost of replacing the tanks and piping will force premature abandonment of these leases.

On the other hand, large field operations where many wells are involved, require many tanks. Accordingly, most small E&P facilities subject to the 2002 SPCC Plan rule will be able to provide release free facilities using an inspection and training notice to EPA without the cost and burden of a complete SPCC Plan. If the facility experiences a reportable release, an SPCC Plan is required.

- c) **Tier 3.** Facilities (large fields) requiring more than 1,200 bbl of tank capacity are profitable enough to cope with the \$3,500 cost of a 2002 SPCC rule Plan. Also, the exposure resulting high production rates justifies the need for an SPCC Plan.

Respectfully submitted

s/ G.H. Holliday, Ph.D., P.E., DEE
president

References

IOGCC (Interstate oil and Gas Compact Commission), 2003. Marginal Oil and Gas: Fuel for Economic Growth.

U.S. Department of Energy, 2004. Program Facts, Stripper Well Technology, Office of Fossil Energy, National Energy Technology Laboratory, March



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Fact sheet

IOGCC Report.