

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

REGION 8

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OCT 31 2014

Ref: 8P-AR

Robert Whisonant
Operation Manager
Marathon Oil Company
1501 Stampede Avenue
Cody, Wyoming 82414

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Re: Request for Additional Information
Marathon Oil Company
Steamboat Butte Operations & E-5 Tank Battery
Initial Part 71 Permit Applications

Dear Mr. Whisonant:

The Environmental Protection Agency (EPA) evaluated the information submitted by Marathon Oil Company (Marathon) in response to our request for additional information regarding the permit application for the Steamboat Butte Operations facility submitted in accordance with the Title V Operating Permit Program at 40 CFR Part 71 (Part 71). In addition, the EPA reviewed the initial Part 71 permit application for the E-5 Tank Battery facility. The EPA is sending this letter to document our conclusion that the flares at the Steamboat Butte Operations facility and E-5 Tank Battery are used to control pollution and are not inherent to the process. The EPA is also requesting additional information at this time.

Background

On May 4, 2011, the EPA received a Part 71 operating permit application from Marathon for the Steamboat Butte Operations facility, located on Tribal trust land on the Wind River Indian Reservation in Fremont County, Wyoming. At that time, the application requested a Part 71 permit for the consolidation of three (3) emulsion treatment process and water storage tank batteries (C-1, C-3, and E-5) for crude oil production operations in the Steamboat Buttes field. In the application, the potential to emit (PTE) calculations for volatile organic compounds (VOCs) accounted for a 98% reduction resulting from the flares used to combust vapors emitted by the emulsion processing and storage tank units. Generally, a source may only take into account the emissions reductions from a control device when calculating their PTE for determining applicability of Clean Air Act (CAA) requirements to the extent that the effect those controls would have on emissions is legally and practicably enforceable. According to Marathon, preconstruction permitting has never been triggered for the Steamboat Butte Operations facility and the flares operating at the facility are not required by any other CAA regulations.

On August 15, 2011, the EPA requested additional information from Marathon necessary to continue processing the Part 71 application. In October 2011, Marathon indicated that the consolidation project for the Steamboat Butte Operations was behind schedule and Marathon would be submitting a revised

Part 71 permit application that more accurately reflected the current operations at the C-1 production facility, as well as including the additional information requested in the EPA's August 15, 2011 letter.

The EPA received the amended Part 71 permit application for the Steamboat Butte Operations facility on May 7, 2012. The application contained updated information regarding the consolidated operations at the C-1 and C-3 production facilities only (tank battery E-5 was no longer included as part of the facility to be permitted). The EPA received a separate, initial Part 71 permit application for the E-5 Tank Battery facility on October 2, 2012. On October 25, 2012, the EPA received an application update for the Steamboat Butte Operations facility to supplement the May 2012 submittal. The EPA requested additional documentation via phone on June 17, 2013 and subsequently received the information via email on June 28, 2013.

Based on all of the information Marathon submitted, the EPA has concluded that the primary purpose of the flares at the Steamboat Butte Operations facility and E-5 Tank Battery is to control air pollution. The production operations at the facility are not dependent on the flares as an integral part of the operation; and therefore, the EPA has determined that the flares at the Steamboat Butte Operations facility and E-5 Tank Battery are not inherent to the process. Moreover, the flares are not required under any legally and practically enforceable permit condition or CAA regulation. Consequently, the flares cannot be relied upon in calculating the PTE of air pollutants emitted by the facilities. According to the information provided in the Part 71 permit applications, the PTE of VOCs at both facilities exceeds major source thresholds of 250 tpy. As a result, each source is classified as major for the purposes of the Prevention of Significant Deterioration Permit Program at 40 CFR Part 52 (PSD). Thus, any future proposed modifications at these facilities that are estimated to result in increases in the emissions of PSD-regulated pollutants must be evaluated against the PSD significance thresholds in the regulation prior to construction in order to determine applicability to PSD permitting requirements.

Additional Information Requested

In order to process these permit actions, the EPA is requesting additional information at this time. We are asking that Marathon provide the additional information, outlined below, by **January 14, 2015**.

Please note that since your permit applications for the Steamboat Butte Operations facility and E-5 Tank Battery were deemed administratively complete, you are covered by a permit application shield that allows you to continue operating the facilities even though your Part 71 operating permits have not been issued. This application shield is in effect from the date of completeness until a final action is taken on the application, provided you submit any requested information by the specified deadlines. [See 40 CFR 71.5(a)(2) and 71.7(b)].

Please provide the following information:

1. Emissions Calculations:

- a. The PTE calculation for VOCs in the applications for the Steamboat Butte Operations facility and E-5 Tank Battery included reduction efficiencies from the flares. Please provide the uncontrolled VOC emissions for all emission units listed in each of the Part 71 applications. Please include a brief narrative describing how the PTE was calculated. If the PTE calculation required some type of calculation or method, please describe the calculation and/or method in narrative format. In addition, please provide all of the

supporting material including all documents, calculations, spreadsheets, or other electronic or hard copies that support the above PTE calculations.

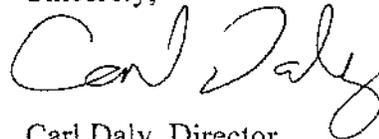
2. Permitting & Construction History

- a. Provide the permitting and construction history for the Steamboat Butte Operations facility and E-5 Tank Battery. Your response should include the permitting and construction history of the C-1 and C-3 Tank Batteries separately, before the facilities were consolidated into the Steamboat Butte Operations facility. Dates of construction or modifications should be provided as accurately as possible.
- b. Provide the PTE for all emission units at each stage of construction. Uncontrolled emissions should be used for PTE calculations if there is no legally and practicably enforceable requirement to limit the PTE.
- c. Provide your PSD applicability analysis for each construction project or modification identified above in the construction history for the C-1 and C-3 Tanks Batteries (Steamboat Butte Operations), as well as the E-5 Tank Battery. Your analysis should include the procedures outlined in 40 CFR 52.21(a)(2).

Please be advised that if we determine that additional information is necessary to evaluate any of the applications or to take final action on any of the applications, we may request such information in writing and set a reasonable deadline for a response. [See 40 CFR 71.5(a)(2)].

These permit actions have been assigned to Mr. Eric Wortman of my staff. If you have any questions, please contact Mr. Wortman at (303) 312-6649 or wortman.eric@epa.gov. We look forward to working with your company in preparing the Part 71 Permits to Operate.

Sincerely,



Carl Daly, Director
Air Program

Enclosure

cc: Jacob Parker, Environmental Professional, Marathon Oil Company
Ryan Ortiz, Environmental Director, Wind River Environmental Quality Commission