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June 19, 2019

Michigan Department EGLE
AQD Cadillac District
120 West Chapin Street
Cadillac, MI 49601

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Re St. Marion & Riverside 14-36 Well Site Production Facility
SRN: P0562, Missaukee County

This letter is in response to Cobra Oil & Gas Corporation's (Cobra) receipt of a Violation Notice received by the Air Quality Division (AQD) of the Michigan Department of Environment, Great Lakes, and Energy (EGLE) dated May 31, 2019 after a site inspection at the St. Marion & Riverside 14-36 well site located at NE1/4, SW1/4, SW1/4 of Section-36, T21N-R7E, Riverside Township, Missaukee County. The St. Marion & Riverside 14-36 oil and gas well at this site is also operated under Permit No. 59811 (PRU: 21554) issued by the Oil, Gas, and Minerals Division (OGMD).

Based on available records, on October 2014, Whiting submitted a PTI application and subsequently requested the application be withdrawn (approximately 2 months later); however, an SRN was issued. Cobra acquired this as an existing and operating asset from Whiting Oil and Gas Corporation on August 1, 2015, and has not "modified" the asset with respect to facility equipment with a potential to emit, since the acquisition date. The TEG dehydrator at this single well site production facility is the only dehydrator and processes gas exclusively from St. Marion & Riverside 14-36 well. The surface production equipment reportedly became operational around June of 2013, based on when regular production reporting began with the state.

Shortly after Cobra's acquisition of the asset there were various discussions with AQD staff communicating that the previously submitted air permit applicability would be reviewed further by Cobra and, if determined necessary, a revised application would be submitted. No further action was taken on the basis that the equipment was at a wellhead location and the accumulator tank does have, previous to the acquisition, fabricated and installed air cooling fins on the accumulator tank vent stack, constituting a condenser, and therefore a permit to install was not required.

The dehy regenerator still column vapors are routed to a condensing accumulator tank prior to being vented to a vertical stack. The vertical vent stack on the top of the accumulator tank was, at

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acquisition by Cobra, and remains equipped with (3) thin plate steel cooling fins, approximately 3"x 100" long, welded on edge to the 2" steel vent pipe. The accumulator tank collects the condensed hydrocarbons generated from the reboiler still column overheads that are naturally cooled as routed through the accumulator tank and out the vent stack. The condensed liquid is then collected in the accumulator tank and drained regularly.

Since the glycol dehydrator is equipped with an accumulator (liquid knock-out) tank and an exhaust vent stack equipped with cooling fins, where the combination of the liquid knock-out tank and air-cooled vent stack constitute an air-cooled condenser meeting the requirements referenced in R 336.1288(2)(b), it is Cobra's position that the TEG glycol dehydrator was not operated in violation of R 336.1201(1) based on R 336.1288(2)(b)(i); which states:

It is located at an oil well site and is controlled by a condenser or by other control equipment of equivalent or better efficiency than the condenser.

As such, it has been Cobra's interpretation since the unit was acquired that it is exempt.

Additionally, Cobra is not aware of any exclusions to the exemptions as specified in R 338.1278, and eligibility with R 336.1288(2)(b) is maintained based on;

- a) The facility is not an activity subject to Prevention Significant Deterioration (PSD) regulations or New Source Review (NSR) regulations for major sources in nonattainment areas.
- b) Emissions from each piece of equipment do not exceed significance threshold levels as defined in R 336.1119.
- c) The facility is a true minor area source with emission sources subject to MACT requirements.

The small glycol dehydrator is subject to 40 CFR 63 Subpart HH MACT as an area source to which Cobra maintains an exemption based on limited throughput, but also would qualify for the exemption based on limited emissions.

The well gas sold is representative of the sweet natural gas produced from this well that is routed through the dehydrator inlet and historically always less than 0.679 MMscf per day, and a recent annual daily average less than 0.492 MMscf per day. The following table demonstrates the highest individual daily volume produced by the well during Cobra's operation and the past 12-months' total production.

<u>Cond Prod</u> <u>BBL</u>	<u>Gas Sold</u> <u>MCF</u>	<u>Water Prod</u> <u>BBL</u>	<i>Source: MDEQ-OGM Data Portal</i>
62	679	42	Maximum Daily Prod Volume (from Aug2015-Mar2019)
14,363	179,491	3,865	Total 12-Month Prod Volume (past 12-Mo Apl-Mar)

Notwithstanding these exemptions, Cobra offers to conduct a facility-wide potential to emit evaluation upon request to demonstrate a continued exemption status. Cobra respectfully requests the AQD allow up to 45 days for Cobra to conduct the activities necessary for the evaluation.

If you have any questions regarding this reply or need additional information, please feel free to contact myself at Cobra's Michigan Field Office, 2251 Simmons Road, West Branch, MI 48661 by direct phone (989) 329-5201 or by email at jim@cobraogc.com at your convenience.

Sincerely,
Cobra Oil & Gas Corporation



Jim Clark
Facility Regulatory Coordinator

Cc: Ms. Jenine Camilleri; Enforcement Unit Supervisor
EGLE-AQD, PO Box 30260, Lansing, MI 48909-7760

Rory Edwards; Cobra Drilling / Production Manager (email)
Bobby Hess; Cobra Production Superintendent (email)
Sam Matthews; Cobra Michigan Supervisor (email)