



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 5  
77 WEST JACKSON BOULEVARD  
CHICAGO, IL 60604-3590

JUL 20 2018

REPLY TO THE ATTENTION OF:

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

William T. Sperry, President  
Savoy Energy, L.P.  
920 Hastings Street, Suite A  
PO Box 1560  
Traverse City, Michigan 49685-1560

Re: Administrative Order EPA-5-18-113(a)-MI-03

Dear Mr. Sperry:

Enclosed is an executed original of the Administrative Consent Order regarding the above captioned case. If you have any questions about the Order, please contact me at 312-886-3850.

Sincerely,

A handwritten signature in dark ink, appearing to read "N. Frank", is written over a horizontal line.

Nathan A. Frank, Chief  
Air Enforcement and Compliance Assurance Section (IL/IN)

Enclosure

cc: Susan Tennenbaum/C-14J  
S. Lee Johnson, Honigman Miller  
Malcolm Mead-O'Brien, MDEQ  
Scott Miller, MDEQ

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION 5**

<b>In the Matter of:</b>	)	<b>EPA-5-18-113(a)-MI-03</b>
	)	
<b>Savoy Energy, LP</b>	)	<b>Proceeding Under Sections 113(a)(1)(3) and</b>
<b>Traverse City, MI</b>	)	<b>114(a)(1) of the Clean Air Act, 42 U.S.C.</b>
	)	<b>§§ 7413(a)(1)(3) and 7414(a)(1)</b>

**Administrative Consent Order**

1. The Director of the Air and Radiation Division, U.S. Environmental Protection Agency (EPA), Region 5, is issuing this Order to Savoy Energy, LP (Savoy) under Sections 113(a)(1)(3) and 114(a)(1) of the Clean Air Act (CAA), 42 U.S.C. §§ 7413(a)(1)(3) and 7414(a)(1).

**Statutory and Regulatory Background**

40 C.F.R. Part 60, Subpart OOOO

2. Under Section 111 of the CAA, 42 U.S.C. § 7411, EPA promulgated the Standards of Performance for Crude Oil and Natural Gas Production, Transmission and Distribution at 40 C.F.R. Part 60, Subpart OOOO ("Subpart OOOO"), at 77 *Fed. Reg.* 49542 on August 16, 2012, as amended at 78 *Fed. Reg.* 58436 on September 23, 2013 and at 79 *Fed. Reg.* 79018 on December 31, 2014. Subpart OOOO encompasses 40 C.F.R. §§ 60.5360 through 60.5499.

3. 40 C.F.R. §60.5365 states "[y]ou are subject to the applicable provisions of this subpart if you are the owner or operator of one or more of the onshore affected facilities listed in paragraphs (a) through (g) of this section for which you commence construction, modification or reconstruction after August 23, 2011 and on or before September 18, 2015."

4. 40 C.F.R. § 60.5430 defines a “storage vessel” as “a tank or other vessel that contains an accumulation of crude oil, condensate, intermediate hydrocarbon liquids, or produced water, and that is constructed primarily of nonearthen materials (such as wood, concrete, steel, fiberglass, or plastic) which provide structural support.”

5. A “Group 2 Storage Vessel” means “a storage vessel, as defined in [40 C.F.R. § 60.5430], for which construction, modification or reconstruction has commenced after April 12, 2013, and on or before September 18, 2015.”

6. 40 C.F.R. § 60.5365(e) defines a “storage vessel affected facility” as “a single storage vessel located in the oil and natural gas production segment, natural gas processing segment or natural gas transmission and storage segment and has the potential for Volatile Organic Compounds (VOC) emissions equal to or greater than 6 tpy [tons per year] as determined according to this section ....”

7. 40 C.F.R. § 60.5395(d) requires the owner or operator of a storage vessel affected facility to “comply with the control requirements of paragraph (d)(1) of this section unless [they] meet the conditions specified in paragraph (d)(2) of this section.”

8. 40 C.F.R. § 60.5395(d)(1) requires the reduction of VOC emissions by 95.0 percent according to the schedule specified in (d)(1)(i) and (ii) of that section. 40 C.F.R. § 60.5395(d)(1)(i) states “[f]or each Group 2 storage vessel affected facility, you must achieve the required emissions reductions by April 15, 2014, or within 60 days after startup, whichever is later...”

9. 40 C.F.R. § 60.5395(d)(2) requires, among other things, that the owner or operator maintain the uncontrolled actual VOC emissions from the storage vessel affected facility at less than 4 tpy without considering control, as specified in that section.

10. 40 C.F.R. § 60.5395(e)(1) states “[e]xcept as required in paragraph (e)(2) of this section, if you use a control device to reduce emissions from your storage vessel affected facility, you must equip the storage vessel with a cover that meets the requirements of §60.5411(b) and is connected through a closed vent system that meets the requirements of §60.5411(c), and you must route emissions to a control device that meets the conditions specified in §60.5412(c) and (d). As an alternative to routing the closed vent system to a control device, you may route the closed vent system to a process.”

11. 40 C.F.R. § 60.5411 (b)(1) states “[t]he cover and all openings on the cover (*e.g.*, access hatches, sampling ports, pressure relief valves and gauge wells) shall form a continuous impermeable barrier over the entire surface area of the liquid in the storage vessel....”

12. 40 C.F.R. § 60.5411(b)(2) states “[e]ach cover opening shall be secured in a closed, sealed position (*e.g.*, covered by a gasketed lid or cap) whenever material is in the unit on which the cover is installed except during those times when it is necessary to use an opening as follows:

- (i) To add material to, or remove material from the unit (this includes openings necessary to equalize or balance the internal pressure of the unit following changes in the level of the material in the unit);
- (ii) To inspect or sample the material in the unit;
- (iii) To inspect, maintain, repair, or replace equipment located inside the unit; or
- (iv) To vent liquids, gases, or fumes from the unit through a closed-vent system designed and operated in accordance with the requirements of paragraph (a) or (c) of this section to a control device or to a process.”

13. 40 C.F.R. § 60.5411(b)(3) states “[e]ach storage vessel thief hatch shall be equipped, maintained and operated with a weighted mechanism or equivalent, to ensure that the

lid remains properly seated. You must select gasket material for the hatch based on composition of the fluid in the storage vessel and weather conditions.”

14. 40 C.F.R. § 60.5411(c)(1) states “[y]ou must design the closed vent system to route all gases, vapors, and fumes emitted from the material in the storage vessel to a control device that meets the requirements specified in §60.5412(c) and (d), or to a process.”

15. 40 C.F.R. § 60.5411(c)(2) states “[y]ou must design and operate a closed vent system with no detectable emissions, as determined using olfactory, visual and auditory inspections . . .”

16. 40 C.F.R. § 60.5412(d)(1) states “[e]ach flare must be designed and operated in accordance with the requirements of §60.5413(a)(1)...”

17. 40 C.F.R. § 60.5413(a)(1) states “[y]ou are exempt from the requirements to conduct performance tests and design analyses if you use any of the control devices described in paragraphs (a)(1) through (7) of this section.” Paragraph (a)(1) specifies “[a] flare that is designed and operated in accordance with §60.18(b).”

18. 40 C.F.R. § 60.18(b) states “[p]aragraphs (c) through (f) apply to flares.” Paragraph (f)(2) states, “[t]he presence of a flare pilot flame shall be monitored using a thermocouple or any other equivalent device to detect the presence of a flame.”

19. 40 C.F.R. § 60.5416(c), for cover and closed vent system inspections for storage vessel affected facilities, states “[i]f you install a control device or route emissions to a process, you must inspect each closed vent system according to the procedures and schedule specified in paragraphs (c)(1) of this section, inspect each cover according to the procedures and schedule specified in paragraph (c)(2) of this section . . .”

20. 40 C.F.R. § 60.5416(c)(1) states “[f]or each closed vent system, you must conduct an inspection at least once every calendar month as specified in paragraphs (c)(1)(i) through (iii) of this section.” Paragraph (c)(1)(i) states “[y]ou must maintain records of the inspection results as specified in §60.5420(c)(6).”

21. 40 C.F.R. § 60.5416(c)(2), states “[f]or each cover, you must conduct inspections at least once every calendar month as specified in paragraphs (c)(2)(i) through (iii) of this section.” Paragraph (c)(2)(i) states “[y]ou must maintain records of the inspection results as specified in §60.5420(c)(7).”

22. 40 C.F.R. § 60.5417(d) states “[y]ou must install, calibrate, operate, and maintain a device equipped with a continuous recorder to measure the values of operating parameters appropriate for the control device as specified in either paragraph (d)(1), (2), or (3) of this section. Paragraph (d)(1) specifies “[a] continuous monitoring system that measures the operating parameters in paragraphs (d)(1)(i) through (viii) of this section, as applicable.” Paragraph (d)(1)(iii) specifies “[f]or a flare, a heat sensing monitoring device equipped with a continuous recorder that indicates the continuous ignition of the pilot flame.”

#### Savoy’s Permits to Install

23. On May 6, 1980, EPA approved Michigan Rule 336.1201 as part of the federally enforceable State Implementation Plan (SIP) for Michigan. 45 *Fed. Reg.* 29790. Rule 336.1201 states “a person shall not install, construct, reconstruct, relocate, or alter any process, fuel-burning or refuse-burning equipment, or control equipment pertaining thereto, which may be a source of an air contaminant, until a permit is issued by the commission.”

24. The Michigan Department of Environmental Quality issued to Savoy Permit to Install No. 23-14 on March 27, 2014, for its Adrian 25 Central Processing Facility, located at

Highway 52 and Howell Highway (Latitude 41.924696, Longitude -84.014909), in Adrian Township, Michigan (Adrian 25 Facility).

25. For the Adrian 25 Facility, Permit to Install 23-14, Design/Equipment Parameters for Flexible Group ID FGNATGASPLANT, states that Savoy shall equip and maintain each 400 barrel liquid storage vessel at the facility with a cover meeting the requirements in 40 C.F.R. § 60.5411(b).

26. For the Adrian 25 Facility, Permit to Install 23-14, Design/Equipment Parameters for Flexible Group ID FGNATGASPLANT, states that Savoy shall not store any liquid in a storage vessel unless the vapors from each storage vessel are routed to a process via a closed vent system meeting the requirements of 40 C.F.R. § 60.5411(c).

#### CAA Sections 113 and 114

27. Under Section 113(a)(3) of the CAA, 42 U.S.C. § 7413(a)(3), the Administrator of EPA may issue an order requiring compliance to any person who has violated or is violating the NSPS regulations. The Administrator has delegated this authority to the Director of the Air and Radiation Division.

28. The Administrator of EPA may require any person who owns or operates an emission source to make reports; install, use and maintain monitoring equipment; sample emissions; or provide information required by the Administrator under Section 114(a)(1) of the CAA, 42 U.S.C. § 7414(a)(1). The Administrator has delegated this authority to the Director of the Air and Radiation Division.

#### Findings

29. Savoy Energy, LP (Savoy) owns and operates the Adrian 25 Facility. The Adrian 25 Facility is a centralized location for the collection, distribution, and/or storage of oil, natural

gas, and produced water (brine) extracted from nearby wells. These activities are subject to applicable provisions of Subpart OOOO.

30. The Adrian 25 Facility stores oil and produced water in eight 400-barrel liquid storage vessels on-site before the liquids are transported off-site by truck.

31. At the Adrian 25 Facility, all of the storage vessels were constructed after August 23, 2011, but before September 18, 2015, and are therefore subject to applicable provisions of Subpart OOOO.

32. Four of the storage vessels were constructed on February 21, 2014, and are therefore Group 2 storage vessels as defined by 40 C.F.R. § 60.5430. The compliance deadline for achieving the required emissions reductions at Savoy's Group 2 storage vessels was April 22, 2014, according to the schedule in 40 C.F.R. § 60.5395(d)(1)(i).

33. EPA sent two Clean Air Act Section 114 Information Requests ("Information Requests") to Savoy on August 7, 2014, and December 3, 2014.

34. Savoy responded to EPA's Information Requests on October 14, 2014, and January 23, 2015, respectively. Following EPA's request, Savoy's responses included calculations of potential VOC emissions from the storage vessels at the Adrian 25 Facility, including results from liquid sampling and emissions modeling using methodologies prescribed by EPA.

35. Based on information Savoy submitted in its responses to EPA's Information Requests, potential emissions from each oil storage vessel at the Adrian 25 Facility are greater than 6 tons of VOC per year.

36. Each oil storage vessel at the Adrian 25 Facility is a "storage vessel affected facility" per the definition at 40 C.F.R. § 60.5365(e).



37. At the Adrian 25 Facility, the vapors of all eight storage vessels are connected by a single closed vent system, which directs emissions to a flare for combustion. The closed vent system is subject to the control requirements of 40 C.F.R. § 60.5395(e).

38. On April 28, 2014, and October 6, 2015, EPA representatives inspected the Adrian 25 Facility.

39. On April 28, 2014, at the Adrian 25 Facility, EPA inspectors found the thief hatches of four storage vessels and the pressure relief valve of the closed vent system continuously emitting hydrocarbon emissions based on visual, audible, and olfactory detection observations, in violation of 40 C.F.R. § 60.5411(c)(2). The EPA inspectors confirmed the emissions using a FLIR GF320 infrared camera.

40. On October 6, 2015, at the Adrian 25 Facility, EPA inspectors found the thief hatches of three storage vessels and the pressure relief valve and a flange seal on the closed vent system continuously emitting hydrocarbon emissions based on visual, audible, and olfactory detection observations, in violation of 40 C.F.R. § 60.5411(c)(2). The EPA inspectors confirmed the emissions using a FLIR GF320 infrared camera.

41. In its response to EPA's Information Requests, requesting records of inspections conducted at the Adrian 25 Facility pursuant to 40 C.F.R. §§ 60.5411 and 60.5416, Savoy provided a record of an inspection conducted on July 16, 2014. In correspondence dated May 11, 2017, Savoy stated that in July of 2015, Savoy began recordkeeping of the storage vessel closed vent system inspections. Savoy provided to EPA records of these inspections.

42. Savoy's failure to conduct monthly inspections and/or maintain records on the covers and closed vent system of its storage vessels at the Adrian 25 Facility is a violation of 40 C.F.R. § 60.5416(c)(1) and (2).

43. During the April 28, 2014 inspection, a Savoy representative stated to EPA that the flare's pilot flame was checked manually to ensure it remained lit, and that Savoy did not use a thermocouple or any other equivalent heat sensing monitoring device to detect the continuous ignition of the pilot flame.

44. Savoy's failure to equip its flare with a device to detect the continuous ignition of the pilot flame is a violation of 40 C.F.R. §§ 60.18(f)(2) and 60.5417(d)(1)(iii).

45. Savoy owns or operates an "emission source" within the meaning of Section 114 (a)(1) of the CAA, 42 U.S.C. § 7414(a)(1). Therefore, Savoy is subject to the requirements of Section 114(a)(1).

46. On May 29, 2015, EPA issued to Savoy a Notice and Finding of Violation (NOV/FOV) alleging that it failed to meet the requirements for covers and closed vent systems on its storage vessels, failed to conduct inspections or maintain records of inspections of its storage vessel covers and closed vent systems as required, and failed to install, calibrate, operate, and maintain a device to ensure the continuous presence of a pilot flame on its flare, in violation of provisions of Subpart OOOO and its Permit to Install.

47. On July 7, 2015, representatives of Savoy and EPA discussed the May 29, 2015 NOV/FOV.

48. In its response to EPA's Information Requests, Savoy stated that on July 24, 2014, it installed a thermocouple to monitor the flare's pilot flame, increased the spring weights, and replaced the gasket seals on the thief hatches of its storage vessels at the Adrian 25 Facility.

49. In correspondence dated May 11, 2017, Savoy stated that in July 2015, Savoy began recordkeeping of the storage vessel closed vent system inspections. Savoy provided to EPA records of these inspections.

50. In correspondence dated May 11, 2017, Savoy provided documentation that its uncontrolled potential VOC emissions have dropped to less than 4 tpy on a rolling 12-month basis as of July 2016.

#### **Compliance Program**

51. By the effective date of this Order, Savoy must achieve, demonstrate and maintain compliance with the Standards of Performance for Crude Oil and Natural Gas Production, Transmission and Distribution at 40 C.F.R. Part 60, Subpart OOOO, and Savoy's Permit to Install 23-14 at its Adrian 25 Facility.

52. Savoy must maintain the uncontrolled actual VOC emissions from the storage vessel affected facility at less than 4 tpy without considering control, as described in 40 C.F.R. § 60.5395(d)(2). If VOC emissions from Savoy's storage vessel affected facilities increase to 4 tpy or greater and the increase is not associated with fracturing or refracturing of a well feeding the storage vessel affected facility, Savoy must comply with 40 C.F.R. § 60.5395(d)(1) within 30 days of the monthly calculation.

53. Under Section 114(a)(1) of the CAA, 42 U.S.C. § 7414(a)(1), for the duration of this Order, Savoy must provide semiannual reports to EPA with its monthly and 12-month rolling total VOC emissions calculations (including methodology and supporting documentation) for the Adrian 25 Facility for the period prior to the reporting deadline since submittal of the previous report. The reports must be submitted within 30 calendar days of June 30 and December 30, 2018, and June 30 and December 30, 2019.

54. If the uncontrolled VOC emissions from the Adrian 25 Facility's storage vessel affected facilities increase to 4 tpy or greater and the increase is not associated with fracturing or refracturing of a well feeding the storage vessel affected facility, Savoy must provide to EPA in

its semi-annual report documentation of its inspections required to be conducted pursuant to 40 C.F.R. §§ 60.5411 and 60.5416.

55. Savoy must send all reports required by this Order to:

Attention: Compliance Tracker (AE-18J)  
Air Enforcement and Compliance Assurance Branch  
U.S. Environmental Protection Agency, Region 5  
77 W. Jackson Boulevard  
Chicago, Illinois 60604

and by email to [Topinka.natalie@epa.gov](mailto:Topinka.natalie@epa.gov) and to [R5AirEnforcement@epa.gov](mailto:R5AirEnforcement@epa.gov).

#### **General Provisions**

56. Savoy neither admits nor denies the factual allegations or legal conclusions in this Order.

57. This Order does not affect Savoy's responsibility to comply with other federal, state, and local laws.

58. This Order does not restrict EPA's authority to enforce the CAA and its implementing regulations.

59. Failure to comply with this Order may subject Savoy to penalties of up to \$45,268 per day for each violation under Section 113 of the CAA, 42 U.S.C. § 7413, as provided by 40 C.F.R. Part 19.

60. The terms of this Order are binding on Savoy, its assignees and successors. Savoy must give notice of this Order to any successors in interest prior to transferring ownership and must simultaneously verify to EPA, at the above address, that it has given the notice.

61. Savoy may assert a claim of business confidentiality under 40 C.F.R. Part 2, Subpart B, for any portion of the information it submits to EPA. Information subject to a business confidentiality claim is available to the public only to the extent allowed by 40 C.F.R.

Part 2, Subpart B. If Savoy fails to assert a business confidentiality claim, EPA may make all submitted information available, without further notice, to any member of the public who requests it. Emission data provided under Section 114 of the CAA, 42 U.S.C. § 7414, is not entitled to confidential treatment under 40 C.F.R. Part 2, Subpart B. "Emission data" is defined at 40 C.F.R. § 2.301.

62. This Order is not subject to the Paperwork Reduction Act, 44 U.S.C. § 3501 *et seq.*, because it seeks collection of information by an agency from specific individuals or entities as part of an administrative action or investigation. To aid in our electronic recordkeeping efforts, please furnish an electronic copy on physical media such as compact disk, flash drive or other similar item. If it is not possible to submit the information electronically, submit the response to this Order without staples; paper clips and binder clips, however, are acceptable.

63. EPA may use any information submitted under this Order in an administrative, civil judicial, or criminal action.

64. Savoy agrees to the terms of this Order. Savoy waives any remedies, claims for relief, and otherwise available rights to judicial or administrative review of this Order that it may have with respect to any issue of fact or law set forth in this Order, including any right of judicial review under Section 307(b) of the CAA, 42 U.S.C. § 7607(b).

65. This Order is effective on the date of signature by the Director of the Air and Radiation Division. This Order will terminate two years from the effective date, provided that Savoy has complied with all terms of the Order throughout its duration.

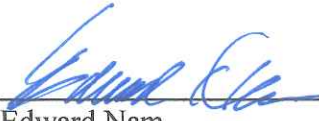
**Savoy Energy, L.P.**

7-2-18  
Date

William T. Sperry  
William T. Sperry  
President and General Counsel  
Savoy Energy, L.P.

**United States Environmental Protection Agency**

7/20/18  
Date

  
Edward Nam  
Director  
Air and Radiation Division  
U.S. Environmental Protection Agency, Region 5

**CERTIFICATE OF MAILING**

I certify that I sent the Administrative Consent Order, EPA-5-18-113(a)-MI-03, by certified mail, return receipt requested, to:

William T. Sperry, President  
Savoy Energy, L.P.  
920 Hastings Street, Suite A  
PO Box 1560  
Traverse City, Michigan 49685-1560

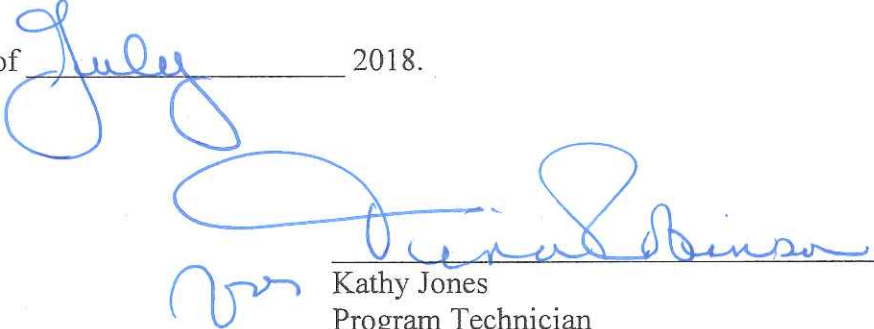
I also certify that I sent a copy of the Administrative Consent Order, EPA-5-18-113(a)-MI-03, by E- mail to:

S. Lee Johnson  
[sljohnson@honigman.com](mailto:sljohnson@honigman.com)

Malcolm Mead-O'Brien  
Enforcement Unit Supervisor, Acting  
Air Quality Division  
Michigan Department of Environmental Quality  
[meadm1@michigan.gov](mailto:meadm1@michigan.gov)

Scott Miller  
Jackson District Supervisor  
Air Quality Division  
Michigan Department of Environmental Quality  
[millers@michigan.gov](mailto:millers@michigan.gov)

On the 26<sup>th</sup> day of July 2018.

  
Kathy Jones  
Program Technician  
AECAB, PAS

CERTIFIED MAIL RECEIPT  
NUMBER:

7070530000062892303