Attachment A

4APT-ARB

Ms. Sandi M. Fury
ESF&H Representative
Chevron U.S.A., Inc.
935 Gravier Street
New Orleans, Louisiana 70112

SUBJ: Destin Dome Outer Continental Shelf Source

Dear Ms. Fury:

Chevron U.S.A., Inc. is presently preparing an Outer Continental Shelf (OCS) air permit application to be submitted to the Environmental Protection Agency (EPA) for a proposed natural gas development and production project in Destin Dome Unit 56. This project will be located off the coast of Florida in the Eastern Gulf of Mexico and is subject to the requirements of the OCS air regulations, codified at 40 C.F.R. part 55. This correspondence outlines the requirements for Chevron to consider in the preparation of their air permit application by: (1) defining the OCS source for the Destin Dome project with respect to Prevention of Significant Deterioration (PSD); (2) specifying requirements regarding the ambient air impact analyses; and (3) detailing the concurrent process for issuance of the OCS air permit and the Title V federal operating permit. The information presented herein is consistent with OCS air permitting actions and determinations made by EPA in Region 4, Region 9, Region 10, and the Office of Air Quality Planning and Standards, and in the governing federal and state regulations and Clean Air Act (Act) statutes.

According to preliminary information submitted by Chevron to the Minerals Management Service (MMS), the Destin Dome Unit 56 development and production project will encompass as many as 21 wells producing up to 450 million cubic feet per day of natural gas. Destin Dome Unit 56 encompasses eleven contiguous blocks located approximately 25 miles offshore of Pensacola, Florida (at their northernmost point). The proposed project will include the drilling of 20 new wells and the production of 21 wells (new and existing locations). The gas will be produced from satellite well locations which will be routed through infield lines to a central processing facility. There will be living quarters adjacent to the processing facilities and the field will be manned by a trained crew of experienced operators on a 24-hour basis. From the central processing facility, the gas will be moved by pipeline across federal waters to an area off the coast of Mobile, Alabama, where it will eventually be sent to shore in Mobile County through existing or proposed third party pipelines. All support for the project activities will come from existing shorebase facilities in Theodore, Alabama, or Pascagoula, Mississippi, and will be provided by

boat or helicopter.

OCS Source Definition

Since the promulgation of the federal OCS air regulations in September 1992, OCS sources have been issued permits by EPA or delegated agencies in Regions 4, 9, and 10. For these permits, the OCS source was defined as all of the platforms and activities associated with the oil or natural gas project. These projects included:

Santa Barbara (CA) Air Pollution Control District
•Chevron, Point Arguello Project-3 platforms, onshore facility
•Exxon, Santa Ynez Unit-3 platforms, onshore facility
•Nuevo Energy (Unocal), Dos Cuadras Field-5 platforms
•Nuevo Energy (Unocal), Point Pedernales Project-1 platform, onshore facility
•Pacific Operators Offshore, Carpinteria Field-2 platforms
•Texaco, Pitas Point Unit-1 platform

EPA Region 10
•Arco Alaska, Beaufort Sea-2 drilling vessels/platforms
•BP Exploration Alaska, Liberty-gravel island, 1 platform, pipeline

EPA Region 4
•Chevron, Destin Dome 97-1 platform
•Chevron, Destin Dome 56-1 platform

According to §55.2, an "OCS source" is defined as:

any equipment, activity, or facility which: (1) emits or has the potential to emit any air pollutant; (2) is regulated or authorized under the Outer Continental Shelf Lands Act (OCSLA) and; (3) is located on the OCS or in or on waters above the OCS. This definition shall include vessels only when they are: (1) permanently or temporarily attached to the seabed and erected thereon and used for the purpose of exploring, developing or producing resources therefrom, within the meaning of section 4(a)(1) of OCSLA or; (2) physically attached to an OCS facility, in which case only the stationary sources aspects of the vessels will be regulated.

For an OCS source the "potential emissions" are defined as:

the maximum emissions of a pollutant from an OCS source operating at its design capacity. Any physical or operational limitation on the capacity of a source to emit a pollutant, including air pollution control equipment and restrictions on hours of operation or on the type or amount of material combusted, stored, or processed, shall be treated as a

> limit on the design capacity of the source if the limitation is federally enforceable. Pursuant to section 328 of the Act, emissions from vessels servicing or associated with an OCS source shall be considered direct emissions from such a source while at the source, and while enroute to or from the source within 25 miles of the source, and shall be included in the 'potential to emit' for an OCS source. This definition does not alter or affect the use of this term for any other purposes under §§55.13 or 55.14 of this part, except that vessel emissions must be included in the 'potential to emit' as used in §§55.13 and 55.14 of this part.

According to §55.13(d), the requirements of PSD (40 C.F.R. §52.21) apply to OCS sources located within 25 miles of a state's seaward boundary if the requirements of §52.21 are in effect in the corresponding onshore area (COA) and to OCS sources located beyond 25 miles of the state's seaward boundary. For the Destin Dome project, which is proposed to be located within 25 miles of the State of Florida's seaward boundary, the PSD requirements are in effect in the COA (i.e., in the State of Florida). In accordance with §55.14(e), the Florida PSD requirements have also been incorporated by reference into Appendix A of part 55.

For the purposes of PSD, a stationary source is defined as any building, structure, facility, or installation which emits or may emit any air pollutant subject to regulation under the Act. "Building, structure, facility, or installation" means all the pollutant-emitting activities which belong to the same industrial grouping, are located on one or more contiguous or adjacent properties and are under common ownership or control. An "emissions unit" is any part of a stationary source that emits or has the potential to emit any pollutant subject to regulation under the Act. To determine applicability with regard to the Chevron Destin Dome project, the three source criteria must be examined.

The term "same industrial grouping" refers to the "major groups" identified by two-digit codes in the Standard Industrial Classification (SIC) Manual, which is published by the Office of Management and Budget. The SIC Major Group encompassing the Chevron Destin Dome development and production project is Major Group 13 - Oil and Gas Extraction.

The MMS lease blocks encompassing Destin Dome Unit 56 are contiguous. The terminology "adjacent" is defined most recently in correspondence, dated May 21, 1998, from EPA Region 8 to the Utah Division of Air Quality (see Enclosure). According to this determination, the distance that is associated with "adjacent" must be considered on a case-by-case basis, and clearly falls within the distances presented for the Destin Dome project.

For the Chevron Destin Dome project, there is no dispute that the platforms and production wells are under common control, have the same Major Group SIC Code and are located on contiguous or adjacent properties. To conclude, based on these definitions, requirements, and guidance, the "OCS source" for the Destin Dome project includes the production platform, living quarters platform, and 21 production wells (proposed maximum). The

potential emissions for the source would be the maximum air pollutant emissions from the production platform, living quarters platform, production wells, and vessels (including service vessels) constituting the Destin Dome project. If the maximum annual emissions will exceed 250 tons per year of any regulated air pollutant, then the OCS permit application from Chevron must meet the PSD permitting requirements contained in Chapter 62-212 of the Florida Administrative Code (F.A.C.) (the PSD requirements of §52.21).

Ambient Air Impact Analyses

In terms of the ambient air impact analyses required as part of a PSD permit application for the Chevron Destin Dome project, you should follow the guidance contained in EPA's New Source Review Workshop Manual (Draft, 1990) and Guideline on Air Quality Models, codified at 40 C.F.R. part 51, appendix W. As has been the procedure used for the permitting of major OCS sources within 25 miles of a state boundary in EPA Regions 9 and 10, the PSD rules, and any applicable state requirements, must be complied with. Therefore, the Florida Department of Environmental Protection PSD regulations apply to the Chevron Destin Dome project. Accordingly, it must be demonstrated that the proposed emissions from the Chevron Destin Dome project will not cause or contribute to a violation of any PSD increment or National Ambient Air Quality Standard at all receptors beyond that area, if any, considered to be "non-ambient air." For land-based projects, non-ambient air includes the area owned or under the control of the source for which public access is restricted by a physical barrier. For OCS sources, non-ambient air is determined on a case-by-case basis and may be based on legal restricted access and control of the waters surrounding the project.

40 C.F.R. Part 70 (Title V) Federal Operating Permit

For the purposes of part 70 permitting, a "major source of air pollution" or a "Title V source" is defined under Chapter 62-210 of the F.A.C. as a facility containing an emissions unit or any group of emissions units, which is or includes any of the following:

> (a) for pollutants other than radionuclides, any emissions unit or group of emissions units that emits or has the potential to emit, in the aggregate, 10 tons per year or more of any one hazardous air pollutant (HAP), 25 tons per year or more of any combination of HAPs, or any lesser quantity of a HAP as established through EPA rulemaking. Notwithstanding the preceding sentence, HAP emissions from any oil or gas exploration or production well (with its associated equipment) and HAP emissions from any pipeline compressor or pump station shall not be aggregated with HAP emissions from other similar units, whether or not such units are in a contiguous area or under common control, to determine whether such units or stations are Title V sources, or
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> (b) an emissions unit or group of emissions units, all belonging to the same two-digit Major Group as described in the SIC Manual, that directly emits or has the potential to

emit 100 tons per year or more of any regulated air pollutant.

Based on the potential emissions from the Chevron Destin Dome project, these criteria will make the project subject to the part 70 operating permit requirements.

The State of Florida has an approved part 70 operating permits program. However, the State of Florida has not been delegated the authority for the OCS air program for sources located within 25 miles of the state's seaward boundary. For this reason, EPA Region 4 will issue a part 70 operating permit to Chevron for the Destin Dome project. The permit application should follow the requirements of Chapter 62-213 of the F.A.C. The part 70 permit application will be processed concurrently with the OCS air permit application.

If you have any questions or comments concerning these OCS air permitting requirements, please contact Mr. Scott Davis of my staff at (404) 562-9127.

Sincerely,

Winston A. Smith
Director
Air, Pesticides and Toxics
Management Division

Enclosure

cc: Debbie Tucker, Florida Governor's Office
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