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TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 20, 2013

CERTIFIED MAIL # 91 7199 9991 7032 8259 9391
RETURN RECEIPT REQUESTED

Mr. Vijay Kurki, P.E.
Advanced Sr. HES Professional
Marathon Oil EF LLC
5253 Prue Road
San Antonio, Texas 78249

Re: Notice of Violation for the Compliance Investigation at:
Challenger Central Facility, FM 81 and CR 217, Karnes County
TCEQ ID No.: Regulated Entity No. RN106678394, Customer Number CN603988692

Dear Mr. Kurki:

On August 1 and September 16, 2013, Bernice Beck of the Texas Commission on Environmental Quality (TCEQ) San Antonio Region Office conducted investigations of the above-referenced regulated entity to evaluate compliance with applicable requirements for air quality. Enclosed is a summary which lists the investigation findings. During the investigations, Outstanding Alleged Violations, along with an Additional Issue, were identified as described in the summary. Please submit a written description of the corrective action taken for the alleged violations within 30 days from the date of this letter.

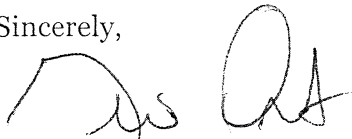
In the listing of the alleged violations, we have cited applicable requirements, including TCEQ rules. Please note that both the rules themselves and the agency brochure entitled *Obtaining TCEQ Rules* (GI 032) are located on our agency website at <http://www.tceq.state.tx.us> for your reference. If you would like a hard copy of this brochure mailed to you, you may call and request one from either the San Antonio Region Office at 210-490-3096 or the Central Office Publications Ordering Team at 512-239-0028.

The TCEQ appreciates your assistance in this matter. Please note that the Legislature has granted TCEQ enforcement powers which we may exercise to ensure compliance with environmental regulatory requirements. We anticipate that you will resolve the alleged violation as required in order to protect the State's environment. If you have additional information that we are unaware of, you have the opportunity to contest the violations documented in this notice. Should you choose to do so, you must notify the San Antonio Region Office within 10 days from the date of this letter. At that time, we will schedule a violation review meeting to be conducted within 21 days from the date of this letter. However, please be advised that if you decide to participate in the violation review process, the TCEQ may still require you to adhere to the compliance schedule included in the attached Summary of Investigation Findings until an official decision is made regarding the status of any or all of the contested violations.

Mr. Vijay Kurki
December 20, 2013
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If you or members of your staff have any questions, please feel free to contact Ms. Beck in the San Antonio Region Office at 210-403-4034.

Sincerely,

A handwritten signature in black ink, appearing to read "George Ortiz". The signature is written in a cursive style with a large, looped initial "G".

George Ortiz
Air Section Manager
San Antonio Region Office

GO/bb/jo

Enclosure: Summary of Investigation Findings

Summary of Investigation Findings

CHALLENGER CENTRAL FACILITY

Investigation #
1135088
Investigation Date: 08/01/2013

, KARNES COUNTY,

Additional ID(s): 109693

OUTSTANDING ALLEGED VIOLATION(S) ASSOCIATED TO A NOTICE OF VIOLATION

Track No: 521828 Compliance Due Date: 01/20/2014

30 TAC Chapter 101.221(a)
30 TAC Chapter 116.615(2)
30 TAC Chapter 116.615(9)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

Comment Date: 12/11/2013

Failing to properly operate pollution abatement equipment during facility operations, and failing to operate within authorized emission limitations.

On August 1, 2013, the High Pressure Flare was not operating properly, and the temporary flare was not put into operation until the investigators advised the operator of the situation. This resulted in unauthorized emissions being released uncontrolled.

Recommended Corrective Action: The company shall properly operate all pollution abatement equipment.

Track No: 521843 Compliance Due Date: 01/20/2014

30 TAC Chapter 116.615(2)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

Comment Date: 12/11/2013

Failing to comply with representations in the application for Permit No. 109693.

On September 16, 2013, investigators observed uncontrolled emissions coming from a tank. The operator indicated that a spent chemical had been put in the tank in question, and that emissions were not being controlled.

Recommended Corrective Action: The company operate as represented in the permit application.

Track No: 523069 Compliance Due Date: 01/20/2013

30 TAC Chapter 116.110(a)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

Comment Date: 12/20/2013

During the investigations, it was documented that a temporary flare had been installed and was operating at the Challenger Central Facility. The temporary flare is not listed in the application for Standard Permit No. 109693. Marathon has not demonstrated that the temporary flare had permit authorization.

Recommended Corrective Action: The company shall obtain permit authorization for the third flare.

AIR CO/ RN106678394 / CO/ 11-06-2013 / Investigation Report
Texas Commission on Environmental Quality
Investigation Report
Marathon Oil EF LLC
CN603988692

CHALLENGER CENTRAL FACILITY

RN106678394

Investigation # 1135088

Incident # 185842

Investigator: BERNICE BECK

Site Classification

STANDARD PERMIT

Conducted: 08/01/2013 -- 11/06/2013

NAIC Code: 211111

SIC Code: 1311

Program(s): AIR NEW SOURCE
PERMITS

Investigation Type : Compliance Investigation

Location : FRM KARNES CITY GO W
ON E CALVERT AVE 0.6 MI CONT ON
FM 1144 W FOR 5.3 MI GO N ON FM 81
E FOR 2.2 MI GO W ON CR 217 FOR 0.3
MI GO N ON CR 208 FOR 0.2 MI TO
SITE ON R

Additional ID(s) : 109693

Address: ; ,

Activity Type : REGION 13 - SAN ANTONIO
AIRCOMPL - AIR CMPL - AIR COMPLAINT
INV
EFS - Eagle Ford Shale - AIR QUALITY High
level
FIAIRMON - AIR FIAIRMON - FOC INV
GENERAL MONITORING
GFIR - AIR GFIR - GAS FIND INFARED
CAMERA

Principal(s) :

Role	Name
RESPONDENT	MARATHON OIL EF LLC

Contact(s) :

Role	Title	Name	Phone
Participated in Investigation	FIELD OPERATOR	MR MATT GARZA	Cell (830) 299-5960
Regulated Entity Mail Contact	SENIOR HES PROFESSIONAL	MR VIJAY KURKI	Work (210) 561-4209
Participated in Investigation	FIELD OPERATOR	JOSH PERKINS	

Other Staff Member(s) :

Role	Name
Investigator	CAROL MCGRATH
Investigator	JEFFERY SEILER
QA Reviewer	CAROL MCGRATH
Supervisor	GEORGE ORTIZ

Associated Check List

Checklist Name

Unit Name

AIR FOCUSED INVESTIGATION - GENERAL MONITORING	Challenger Central
AIR INVESTIGATION - EQUIPMENT MONITORING AND SAMPLING revised 06/2013	Incident No. 185842
AIR GENERIC INVESTIGATION (10 ITEMS)	Alleged Violations

Investigation Comments :

INTRODUCTION

On July 23, 2013, the TCEQ San Antonio Region received a complaint concerning rotten egg odors from nearby oil and gas facilities. The complainant complained about getting the odors off and on for the past several months. The complainant indicated that there is one facility on Farm to Market Road (FM) 81, and two on FM 1144. The complainant lives off of FM 81, south of Hobson, in Karnes County. A map of the area is attached.

A. Daily Narrative

On August 1, 2013, I, Bernice Beck, traveled to the complaint area, accompanied by Jeff Seiler, TCEQ environmental investigator, and arrived at about 10:30 a.m. Weather data from the Continuous Air Monitoring Station (CAMS) located near Calaveras Lake shows the winds were shifting from southwest to the west at around five miles per hour, and the temperature was near 90 degrees Fahrenheit. Monitoring instruments, including the Jerome Model 605 Hydrogen Sulfide Monitor, MiniRae 3000 VOC, the Optical Gas Imaging Camera (OGIC), and two Summa canisters, were brought for this investigation. The monitors were calibrated in Poth, Texas, prior to arriving at the site.

We first drove down FM 81 and stopped at the Challenger Central Facility, owned by Marathon Oil, located at the intersection of FM 81 and County Road (CR) 217. Using the OGIC, we could detect emissions coming from one of the three flares on-site; it was the taller, beige-colored flare. There was no flame visible, so no combustion of the gases was occurring. We could not get downwind of the facility due to the wind direction so we did not detect any odors coming from the facility. The road had recently been repaved and so there was a strong asphalt odor in the air. Josh Perkins, a Marathon representative, stopped to talk to us. We told him about our camera observations at the Challenger facility, and that one of the flares was not operating and allowing the gases to escape. Mr. Perkins corrected the problem that same day.

We then drove south to FM 1144, and turned west until we found a facility called North Longhorn, also owned by Marathon. We arrived at about 10:42 a.m. Winds were from the southwest. We noted that the flare had a large flame, and little to no smoke. I detected a light petroleum odor but no hydrogen sulfide (H₂S). There were no excessive emissions visible with the OGIC.

We then drove east on FM 1144, past FM 81, to the Kaleb/Brewer disposal facility, owned by C & E Production. We were not able to get downwind of the facility due to the wind direction. Using the OGIC, no emissions were detected.

On September 16, 2013, I returned to the area to conduct a follow-up survey. I was accompanied by Carol McGrath, TCEQ environmental investigator. We arrived shortly before 12:30 p.m. It was overcast and raining in the area. Weather data from the CAMS located in Floresville shows the winds were from the east at around five miles per hour, and the temperature was near 80 degrees Fahrenheit. Monitoring instruments, including the Jerome Model 605 Hydrogen Sulfide Monitor, MiniRae 3000 VOC, the Optical Gas Imaging Camera (OGIC), and two Summa canisters, were brought for this investigation. The monitors were calibrated in Poth, Texas, prior to arriving at the site.

We went to Marathon's Challenger facility located off of FM 81 at CR 117, and observed the facility with the OGIC. We were able to detect emissions coming out of one of the hatches of a storage tank. We noted that the flares were working properly. Due to the wind direction, we were not able to get downwind to check for odors. We saw a truck parked upwind of the tanks on-site so we entered the facility and drove to the truck. I spoke with Matt Garza who was sitting in the truck. I told him what we had seen with the camera and asked that he check the tank to see what

CHALLENGER CENTRAL FACILITY - KARNES CITY

8/1/2013 to 11/6/2013 Inv. # - 1135088

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was causing it. He told us that they are storing a spent chemical in that tank and that they are planning to put a scrubber on it to control the emissions. He said the chemical is used to treat hydrogen sulfide in the gas, and that they had been storing it in a flash tank prior to putting it in the current tank. Mr. Garza did not correct the problem that day, which we verified by a second observation using the OGIC.

We then left the Challenger facility and drove to the C & E Productions' disposal facility on FM 1144 to make our observations. Using the OGIC, we did not detect any emissions. We detected light petroleum-like odors while downwind of the unloading pad.

On October 10, 2013, I returned to the area to conduct a follow-up survey, and to meet with the complainant to monitor for odors and/or emissions on her property. I was accompanied by Jeff Seiler, TCEQ investigator. Monitoring instruments, including the Jerome Model 605 Hydrogen Sulfide Monitor, MiniRae 3000 VOC, the Optical Gas Imaging Camera (OGIC), the TVA (total volatiles analyzer), and two Summa canisters, were brought for this investigation. The monitors were calibrated in the San Antonio Region office prior to departure.

We arrived at the complainant's residence at about 2:00 p.m. Weather data from the CAMS located in Floresville shows the winds were from the south-southeast at around six miles per hour, and the temperature was close to 85 degrees Fahrenheit. While on the complainant's property, I detected no odors. There was nothing detected by the MiniRae, nor the OGIC. Therefore, we did not use the Summa canisters to obtain an air sample.

We then were given access to a neighbor's property located further south, closer to FM 1144, to check for odors from the C & E Production disposal facility. We detected no odors, and there were no readings on the monitoring equipment. Therefore, we did not use the Summa canisters to obtain an air sample. We talked to an employee at the facility, who said that they do not accept any loads that have hydrogen sulfide in them. We then departed the area.

After the on-site investigations, I compiled the videos taken of the Marathon Challenger Central Facility and emailed them to Vijay Kurki, along with questionnaires, on October 10, 2013. I received Mr. Kurki's responses on November 6, 2013, which are attached.

For the investigation dated August 1, 2013, when we documented one of the flares not operating, Mr. Kurki claims that this was a non-reportable emissions event. He indicated that the High Pressure (HP) Flare was newly installed, and as soon as the pilot malfunction was noticed, they put in a rental flare unit. However, on the day of the investigation, the rental flare was already installed. In fact, the operator was able to immediately turn on the rental flare when we told him that the HP flare was not working. Therefore, the HP flare was not experiencing an emissions event; Marathon was just not operating the rental flare to control the emissions. This constitutes an alleged violation, as discussed in more detail below under SUMMARY OF ALLEGED VIOLATIONS.

With regards to the investigation dated September 16, 2013, Mr. Kurki again claims that this was a non-reportable emissions event. He gave no explanation, and indicated that the emissions appear to be coming from an oil storage tank. However, on the day of that investigation, the operator told us that there was some sort of chemical in that tank, and that they were planning to put a scrubber on it for the emissions. He did not stop the emissions that were coming out of the tank. This also constitutes an alleged violation, as detailed below.

B. Exit Interview

On December 9, 2013, I emailed an exit interview form to Mr. Kurki. This exit interview form is attached to this report.

GENERAL FACILITY AND PROCESS INFORMATION

The Challenger Central Facility is an oil/gas production facility consisting of separators, compressors, glycol dehydrator, heater treater, vapor recovery units, vapor recovery tower, flare, storage tanks, and loadouts. A detailed process description can be found in the application for Standard Permit No. 109693.

BACKGROUND

A. Current Enforcement Actions

There were three alleged violations documented during these investigations. The alleged violations are classified as Category B in the Enforcement Initiation Criteria.

B. Agreed Orders, Court Orders and Compliance Agreements

Not applicable.

C. Prior Enforcement Issues

Not applicable.

D. Complaints

The complaint that triggered the investigation at the Challenger facility was received on July 23, 2013. The complaint was not confirmed during this investigation.

ADDITIONAL INFORMATION

A. Conclusions and Recommendations

As the result of this investigation, I did not confirm the complaint. The complainant mentioned during the investigation that she does not smell a particular odor, but experiences adverse health effects. During the investigations, we did not document any odors around her residence, nor did the portable monitoring equipment detect anything. Therefore, there was no air sample taken with a Summa canister.

Also as the result of these investigations, two alleged violations were documented involving unauthorized emissions at the Challenger Central Facility, which is northwest of the complainant. A third alleged violation is for failing to have permit authorization for a flare. It should be noted that the complainant was not complaining specifically about the Marathon Challenger facility, which is located about 2,700 feet north of her. She filed her complaint on July 23, when winds were predominantly from the south. There is a disposal facility on FM 1144, about 9,000 feet southeast of her, and the Marathon North Longhorn facility is about 10,000 feet southwest of her. No violations were documented at either of these two facilities.

At this time, I recommend that the complaint be closed. I also recommend that a Notice of Violation be issued to Marathon.

B. Additional Issues

There was no Additional Issue documented during this investigation.

ATTACHMENTS

1. Location Map
2. Exit Interview Form
3. Air Reconnaissance Site Visit Questionnaires with Marathon's Responses
4. Photographs

<u>NOV Date</u>	<u>Method</u>
12/20/2013	WRITTEN

**OUTSTANDING ALLEGED VIOLATION(S)
ASSOCIATED TO A NOTICE OF VIOLATION**

CHALLENGER CENTRAL FACILITY - KARNES CITY

8/1/2013 to 11/6/2013 Inv. # - 1135088

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Track No: 521828

Compliance Due Date: 01/20/2014

Violation Start Date: Unknown

30 TAC Chapter 101.221(a)
30 TAC Chapter 116.615(2)
30 TAC Chapter 116.615(9)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

Comment Date: 12/11/2013

Failing to properly operate pollution abatement equipment during facility operations, and failing to operate within authorized emission limitations.

On August 1, 2013, the High Pressure Flare was not operating properly, and the temporary flare was not put into operation until the investigators advised the operator of the situation. This resulted in unauthorized emissions being released uncontrolled.

Recommended Corrective Action: The company shall properly operate all pollution abatement equipment.

Track No: 521843

Compliance Due Date: 01/20/2014

Violation Start Date: Unknown

30 TAC Chapter 116.615(2)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

Comment Date: 12/11/2013

Failing to comply with representations in the application for Permit No. 109693.

On September 16, 2013, investigators observed uncontrolled emissions coming from a tank. The operator indicated that a spent chemical had been put in the tank in question, and that emissions were not being controlled.

Recommended Corrective Action: The company operate as represented in the permit application.

Track No: 523069

Compliance Due Date: 01/20/2013

Violation Start Date: Unknown

30 TAC Chapter 116.110(a)
5C THSC Chapter 382.085(b)

Alleged Violation:

Investigation: 1135088

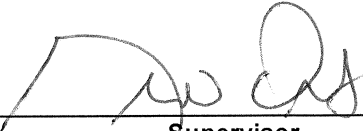
Comment Date: 12/20/2013

During the investigations, it was documented that a temporary flare had been installed and was operating at the Challenger Central Facility. The temporary flare is not listed in the application for Standard Permit No. 109693. Marathon has not demonstrated that the temporary flare had permit authorization.

Recommended Corrective Action: The company shall obtain permit authorization for the third flare.

Signed 
Environmental Investigator

Date Dec. 20, 2013

Signed 
Supervisor

Date 12-20-13

Attachments: (in order of final report submittal)

- Enforcement Action Request (EAR)
- Letter to Facility (specify type) : NOR
- Investigation Report
- Sample Analysis Results
- Manifests
- NOR

- Maps, Plans, Sketches
- Photographs
- Correspondence from the facility
- Other (specify) :
EXIT Interview Form
- Questionnaires