

**OIL AND NATURAL GAS EXPLORATION AND PRODUCTION FACILITIES  
NEW OWNER AUDIT PROGRAM AGREEMENT**

BETWEEN THE

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

AND

**[COMPANY]**

**I. INTRODUCTION**

1. Environmental auditing plays a critical role in protecting human health and the environment by identifying, correcting, and preventing violations of environmental laws and regulations.
2. The oil and natural gas exploration and production sector is a dynamic energy-producing industry where facilities are routinely transferred in asset sales and other business transactions. Auditing newly acquired oil and natural gas exploration and production facilities' compliance with environmental laws and regulations is a key way in which oil and natural gas exploration and production companies can help ensure responsible domestic energy production.
3. In recognition of [COMPANY'S] [DATE OF ACQUISITION] acquisition of oil and natural gas exploration and production facilities from [SELLER] in [DESCRIBE FACILITIES' GEOGRAPHIC LOCATION(S)] (Facilities) and listed in Appendix [X] (Newly Acquired Oil and Natural Gas Exploration and Production Facilities Subject to Agreement), [COMPANY] and the United States Environmental Protection Agency (EPA) hereby agree that [COMPANY] shall conduct a self-audit of its newly acquired Facilities for compliance with the Clean Air Act (Act), its implementing regulations, and federally-approved and -enforceable requirements of applicable State Implementation Plans (SIPs) as set forth below (Audit Program). This New Owner Audit Program Agreement (Agreement) shall govern the Audit Program. ***[NOTE: A COMPANY MAY CHOOSE TO ENTER INTO A PARALLEL AUDIT AGREEMENT WITH A STATE THAT HAS A STATE AUDIT POLICY.]***

**II. AUDIT PROGRAM ELIGIBILITY**

4. [COMPANY] is considered a New Owner under this Agreement and eligible to enter into this Agreement with EPA because:
  - A. [COMPANY] was not responsible for environmental compliance at the Facilities prior to [DATE OF ACQUISITION];
  - B. Prior to the transaction in which [COMPANY] acquired the Facilities from [SELLER], neither [COMPANY] nor [SELLER] had the largest ownership share of the other entity, and they did not have a common corporate parent; and

- C. [COMPANY] has notified EPA within six months of the Date of Acquisition of the Facilities or of the date EPA finalizes the Audit Program, whichever is later, but in no event can the Date of Acquisition of the newly acquired Facilities be earlier than 12 months before the date EPA finalizes the Audit Program. ***[NOTE: EPA'S 2008 NEW OWNER AUDIT POLICY PROVIDES THAT NEW OWNERS MUST DISCLOSE VIOLATIONS OR ENTER INTO AN AUDIT AGREEMENT WITH EPA WITHIN NINE MONTHS OF THE DATE OF ACQUISITION. SEE APPENDIX A FOR THE DEFINITION OF "DATE OF ACQUISITION."]***

### **III. AUDIT PROGRAM AGREEMENT TERMS**

#### ***Audit Program***

5. After consultation with EPA, [COMPANY] shall conduct an Audit of its Facilities' compliance with agreed upon provisions of the Clean Air Act, its implementing regulations, and federally-approved and -enforceable requirements of applicable State Implementation Plans (SIPs) (including permit requirements and permits). At a minimum, [COMPANY] shall comply with Appendix B's requirements. The benefits of this Agreement shall only extend to those Facilities listed in Appendix [X] that [COMPANY] audits pursuant to this Agreement.

#### ***Covered Facilities***

6. The Audit Program shall cover the Facilities listed in Appendix [X]. Should [COMPANY] sell or otherwise Transfer ownership of a Facility or a subset of Facilities listed in Appendix [X] without completing all Audit Program requirements under this Agreement for the Transferred Facility (or Facilities), including the requirements of Section III and Appendix B, [COMPANY] shall notify EPA as set forth in Section VI and Appendix C.
7. Should [COMPANY] acquire additional oil and natural gas exploration and production facilities after the Effective Date that it wishes to include in the Audit Program, it may request so in writing. EPA will use its discretion in deciding whether to grant a request.

#### ***Schedule***

8. The period for conducting the Audit Program's Audits, and discovering and correcting Violations shall end [SPECIFIED TIME PERIOD] from the Effective Date. ***[NOTE: THE PROPOSED SCHEDULE WILL BE PRIMARILY BASED ON THE NUMBER OF FACILITIES SUBJECT TO THE AGREEMENT AND THE SCOPE OF THE AUDIT.]***
9. Detailed timeframes for specific Audit Program obligations are contained in Paragraphs 10, 11, 12, 13, and 20, and Appendices B (Vapor Control System Engineering and Design Analysis, Field Survey, and Corrective Action Guidelines) and C (Audit Program Reporting and Recordkeeping Requirements).

### ***Corrective Actions***

10. *Violations Unrelated to Engineering and/or Design Issues.* [COMPANY] shall correct each Violation, and shall take steps necessary to prevent the recurrence of each Violation. [COMPANY] shall correct each Violation within 60 days of discovery. In those instances where [COMPANY] is unable to correct a Violation within this 60-day timeframe, it shall request an extension of time from EPA in writing before the expiration of the initial 60-day correction timeframe and provide a revised correction schedule for that Violation, accompanied by a justification for the revised correction schedule. Any extension of the 60-day correction timeframe shall be subject to EPA's approval, which shall not be unreasonably withheld.
11. *Violations Related to Engineering and/or Design Issues:* [COMPANY] shall complete the requirements of Appendix B and correct each Violation related to engineering and/or design issues identified through Appendix B requirements before the Audit Program ends.
12. *Immediate and Substantial Endangerment to Public Health or Welfare, or the Environment.* If [COMPANY] discovers or otherwise becomes aware of a condition(s) that may present an immediate and substantial endangerment to public health or welfare, or the environment, at a Facility (or Facilities), notwithstanding any other language in the Agreement to the contrary, [COMPANY] agrees to address these conditions at all facilities as expeditiously as possible and promptly take action as may be necessary to protect public health, welfare, and the environment. In addition to [COMPANY'S] existing reporting obligations related to any release of pollutants (e.g., notice to the National Response Center, State Emergency Response Commission(s), and Local Emergency Planning Committee(s)), [COMPANY] shall notify EPA (initial notice may be oral) of the condition(s) within 24 hours of discovery or becoming aware of the condition(s), and shall notify EPA in writing within five business days of discovery of [COMPANY'S] proposed remedial action(s).

### ***Reporting and Recordkeeping Requirements***

13. [COMPANY] shall submit required reports and maintain records pursuant to Appendix C.

## **IV. GENERAL PROVISIONS**

14. This Agreement and an appropriate final EPA determination (Final Determination) in this matter – e.g., a Notice of Determination – issued after [COMPANY'S] completion of the Audit Program consistent with this Agreement shall be the complete resolution of all civil claims and causes of action alleged or which could have been alleged under the Clean Air Act (Act), its implementing regulations, and the federally-approved and -enforceable requirements of applicable State Implementation Plans (SIPs) for all of the disclosed and corrected Violations in [COMPANY'S] Final Report provided to EPA. However, compliance with this Agreement and a subsequently issued Final Determination shall not be a defense to any actions that EPA may subsequently commence pursuant to federal law, federal regulation, and federally-approved and -enforceable state requirements with respect to any

violations that are not found and disclosed to EPA, and corrected pursuant to this Agreement. Nothing in this Agreement and the Final Determination is intended, nor shall be construed, to operate in any way to resolve any criminal liability.

15. For purposes of this Agreement and any proceeding, without a trial, administrative hearing, or any adjudication of facts, [COMPANY] admits that EPA has jurisdiction over the subject matter of the terms of this Agreement and any materials submitted to EPA pursuant to this Agreement.
16. [COMPANY] waives its right to request a judicial or administrative hearing under Section 113(d) of the Act, 42 U.S.C. § 7413(d), on any issue of law or fact that has arisen or may arise regarding the application of the Act, its implementing regulations, and federally-approved and -enforceable requirements of applicable SIPs to any Violations which [COMPANY] discloses to EPA, corrects pursuant to this Agreement, and which are covered by a subsequently issued Final Determination in this matter.
17. [COMPANY'S] disclosure and correction of Violations pursuant to this Agreement shall not constitute an admission of any violation of the Clean Air Act, its implementing regulations, and federally-approved and -enforceable requirements of applicable SIPs for purposes of this Agreement, a subsequently issued Final Determination in this matter, or any other civil, criminal, or administrative proceeding. In consideration of the terms of this Agreement and to resolve any disclosed violations of the Clean Air Act, its implementing regulations, and federally-approved and -enforceable requirements of applicable SIPs [COMPANY] reports to EPA in a Final Report pursuant to Appendix C, Paragraph 3, [COMPANY] agrees to conduct the corrective actions in accordance with Section IV and Appendix B.
18. *Authority of Signatories.* The signatories to the Agreement represent that they have the authority to bind the Parties.
19. *Modification.* This Agreement may be modified only by a writing signed by all Parties to the Agreement.
20. *Transferability.* At least 30 days prior to (a) any proposed transfer of ownership or operation of a Facility or (b) any proposed transaction in which [COMPANY] would sell more than 50 percent of the equity interest in a business that owns or operates a Facility, [COMPANY] shall provide EPA with written notice of the prospective Transfer. After the submission to EPA of the foregoing notice, [COMPANY] and its transferee may jointly request in writing that EPA either: (a) transfer this Agreement in whole and without amendment or modification to the transferee and release [COMPANY] from any remaining obligations under this Agreement; or (b) transfer this Agreement in relevant part without amendment or modification to the transferee, and amend Appendix [X] to this Agreement to remove those Facilities that have been included in the transferee's Agreement. EPA's agreement to the joint request shall not be unreasonably withheld or denied.
21. *Costs.* The Parties shall bear their own costs of this Agreement, including attorneys' fees.

## **V. EFFECT OF AGREEMENT – RESOLUTION OF LIABILITY FOR DISCLOSED AND CORRECTED VIOLATIONS**

22. After [COMPANY'S] submission of the Final Report, EPA will determine the specific Violations that occurred and assess which were satisfactorily corrected. Pursuant to this Audit Program and as an exercise of its enforcement discretion, EPA will then resolve [COMPANY'S] civil penalty liability for the disclosed Violations that are satisfactorily corrected consistent with this Agreement's requirements by not imposing a civil penalty for those disclosed and satisfactorily corrected Violations. EPA will memorialize the disclosed and satisfactorily corrected Violations that satisfy the terms of this Agreement in a Final Determination.
23. EPA reserves its right to proceed against [COMPANY] for all violations outside the scope of this Agreement, and all Violations within the scope of this Agreement that are not satisfactorily – which includes timely – corrected consistent with this Agreement's requirements. Should EPA receive information that proves or demonstrates that the facts are other than as certified by [COMPANY] in its Final Report, the portion of this Agreement pertaining to the affected Facilities, including the Final Determination and resolution of [COMPANY'S] civil penalty liability, may be voided, or this entire Agreement may be declared null and void at EPA's election, and EPA may proceed with an enforcement action. In any enforcement action regarding Violations described above in this Paragraph, EPA may enforce applicable provisions of the Clean Air Act, its implementing regulations, federally-approved and -enforceable requirements of applicable SIPs, and any other applicable environmental laws, regulations, and permits for which EPA has authority to enforce.
24. Any violation that [COMPANY] could have identified and disclosed pursuant to this Agreement and did not do so shall not be considered a violation of this Agreement, but will be an actionable violation of the Act, its implementing regulations, and/or the federally-approved and -enforceable requirements of the applicable SIP for which EPA may bring a claim or cause of action in accordance with applicable laws and regulations.
25. *Compliance with Applicable Statutory, Regulatory, and Permitting Requirements.* Neither the existence of nor compliance with this Agreement relieves [COMPANY] of its obligation of continued compliance with the Act, its implementing regulations, the federally-approved and -enforceable requirements of applicable SIPs, and any federal and state permits covered by this Agreement, and all other federal, state, and local laws and regulations.

## **VI. NOTIFICATIONS**

26. Except for required documents and information that are submitted to the appropriate regional EPA office or state environmental agency in connection with corrective actions taken pursuant to the Audit Program, any notice, report, certification, data presentation, or other document submitted by [COMPANY] which discusses, describes, demonstrates, or supports any statement or document submitted by [COMPANY] in connection with any matter under

this Agreement shall be certified by a responsible [COMPANY] corporate official. The responsible corporate official's certification statement shall be in the following form:

I certify under penalty of law that this document and all attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted. Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

The responsible corporate official's statement shall also include the date, and the official's signature and title.

27. Except where otherwise provided in this Agreement, whenever this Agreement requires [COMPANY] to give notice or submit reports, information, certifications, or documents (collectively information), the information shall be submitted to the following:

Christopher Williams  
Air Enforcement Division  
U.S. Environmental Protection Agency  
William Jefferson Clinton South Building – Room 1142C  
1200 Pennsylvania Avenue, NW (MC 2242A)  
Washington, D.C. 20460

Email: [williams.christopher@epa.gov](mailto:williams.christopher@epa.gov)  
Phone: 202.564.7889

and

Timothy Sullivan  
Air Enforcement Division  
U.S. Environmental Protection Agency – Room 2229  
1595 Wynkoop Street  
Denver, Colorado 80202

Email: [sullivan.tim@epa.gov](mailto:sullivan.tim@epa.gov)  
Phone: 303.312.6196

28. Unless otherwise provided in this Agreement, whenever this Agreement requires EPA to provide [COMPANY] with information, the information shall be submitted to the following persons and addresses:

[COMPANY TECHNICAL CONTACT]

[LEGAL CONTACT]

29. *Notification to State Environmental Agencies.* EPA will notify appropriate state environmental agencies of Violations disclosed and corrected pursuant to this Agreement.

**VII. INTEGRATION / HEADINGS**

30. This Agreement and its Appendices constitute the final, complete, and exclusive agreement and understanding among the Parties with respect to the requirements embodied in this Agreement. The Parties acknowledge that there are no representations, agreements, or understandings relating to the Agreement other than those expressly contained in this Agreement.
31. Headings to the sections, subsections, paragraphs, and subparagraphs of this Agreement are provided for convenience and do not affect the meaning or interpretation of the Agreement's provisions.

**VIII. APPENDICES**

32. The following Appendices are attached to, incorporated by reference, and considered part of this Agreement:
- A. Appendix A – Definitions
  - B. Appendix B – Vapor Control System Engineering and Design Analysis, Field Survey, and Corrective Action Guidelines
  - C. Appendix C – Audit Program Reporting and Recordkeeping Requirements
  - D. Appendix D – Audit Program Reporting Template
  - E. Appendix E – [Others (?)]
  - F. Appendix [X] – [COMPANY] Newly Acquired Oil and Natural Gas Exploration and Production Facilities Subject to Agreement

WE, THE UNDERSIGNED, HEREBY AGREE TO BE BOUND BY THIS AGREEMENT:

For [COMPANY]:

\_\_\_\_\_  
[Name]  
[Title]  
[COMPANY]  
[Street]  
[City, State, Zip]

Date: \_\_\_\_\_

For the United States Environmental Protection Agency:

\_\_\_\_\_  
[Name]  
[Title]  
[Division/Office]  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue, NW  
Washington, D.C. 20460

Date: \_\_\_\_\_

## APPENDIX A

### DEFINITIONS

For purposes of this Agreement, every term expressly defined in this Appendix shall have the meaning given that term herein. Every other term used in this Agreement that is also defined in the Clean Air Act (Act), 42 U.S.C. §§ 7401-7671q, the Act's implementing regulations, or in the federally-approved and -enforceable provisions of the applicable SIPs, shall mean in this Agreement what the term means under the Act, the implementing regulations, or the federally-approved and -enforceable provisions of the applicable SIPs. In the case of a conflict between federal and state definitions, federal definitions shall control.

1. *Agreement* means the Oil and Natural Gas Exploration and Production Facilities New Owner Audit Program Agreement between the U.S. Environmental Protection Agency and [COMPANY].
2. *Audit* means a systematic, documented, and objective review by a regulated entity of facility operations and practices related to meeting environmental requirements.
3. *Compromised Equipment* means equipment associated with a Vapor Control System that is beginning to show signs of wear beyond normal wear, and that cannot be addressed by cleaning the equipment. Examples include, but are not limited to, cracks or grooves in gaskets, abnormally or heavily corroded equipment, beveling or other indications of inefficient connection of the thief hatch to the tank.
4. *Date of Acquisition* means [DATE], which is the date on which the transaction closed and [COMPANY] acquired ownership or control of the Facilities from [SELLER].
5. *Effective Date* means the date on which EPA signs this Agreement.
6. *Engineering Design Standard* means engineering design methods, equations, and information used to evaluate the capacity and performance of each vapor control system and control device, consistent with the control device's operational parameters (e.g., manufacturer specifications) and the size and design of the vapor control system, including piping, pressure relief valves, and available tank headspace (see Appendix B, Paragraph 1).
7. *Facilities* means the oil and natural gas exploration and production assets or well sites, including Vapor Control Systems and Tank Systems, [COMPANY] acquired from [SELLER] on [DATE OF ACQUISITION] and that are subject to this Agreement.
8. *IR Camera Inspection* means an inspection of a Vapor Control System using an optical gas imaging infrared camera designed for and capable of detecting hydrocarbon and VOC emissions, conducted by trained personnel who maintain proficiency through regular use of the optical gas imaging infrared camera.

9. *Malfunction* means any sudden, infrequent, and not reasonably preventable failure of air pollution control equipment, process equipment, or a process to operate in a normal or usual manner. Failures that are caused in part by poor maintenance or careless operation are not malfunctions.
10. *Modeling Guideline* means the engineering model used to estimate the minimum and maximum vapor flow rates as specified in Appendix B, Paragraph 1. The guideline should consider pressurized hydrocarbon liquid and natural gas samples, equipment inventories, separation equipment operating conditions, and well production rates to model the process flow rates, while incorporating the volume, frequency, and duration of individual dump events or transfers to the atmospheric storage tanks.
11. *Normal Operations* means all periods of operation, excluding Malfunctions. For storage tanks at well production facilities, normal operations include, but are not limited to, liquid dumps from the Separator.
12. *Parties* means the U.S. Environmental Protection Agency (EPA) and [COMPANY].
13. *Potential Minimum Instantaneous Vapor Flow Rate* means the minimum instantaneous rate of vapors routed to a Vapor Control System during Normal Operations, including flashing, working, and standing losses, as determined using the Modeling Guideline developed pursuant to Appendix B, Paragraph 1.
14. *Potential Peak Instantaneous Vapor Flow Rate* means the maximum instantaneous rate of vapors routed to a Vapor Control System during Normal Operations, including flashing, working, and standing losses, as determined using the Modeling Guideline developed pursuant to Appendix B, Paragraph 1.
15. *Separator* means a pressurized vessel used for separating a well stream into gaseous and liquid components.
16. *Tank System* means one or more atmospheric tanks that store hydrocarbon liquids and any other interconnected tank (e.g., produced water tank), that share a common Vapor Control System.
17. *Transfer (Transferred)* means the assignment of ownership, control, or operational responsibility of a Facility or subset of Facilities from [COMPANY] to an entity that is not a party to this Agreement.
18. *Vapor Control System* means the system used to contain, convey, and control vapors from one or more storage tank(s), including flashing, working, and standing losses, as well as any emissions routed to the tank Vapor Control System. A Vapor Control System includes a Tank System, piping to convey vapors from a Tank System to a combustion device and/or vapor recovery unit, fittings, connectors, liquid knockout vessels, openings on tanks (e.g., pressure relief valves and thief hatches), and emission control devices.

19. *Violation* means noncompliance with an applicable requirement under the Clean Air Act, its implementing regulations, and federally-approved and -enforceable requirements of applicable State Implementation Plans (SIPs), including federal and state permits and permitting requirements.
20. *Well Production Operations* means surface operations to produce hydrocarbon liquids and/or natural gas from a well, but shall not include well maintenance activities (e.g., swabbing).

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## APPENDIX B

### VAPOR CONTROL SYSTEM ENGINEERING AND DESIGN ANALYSIS, FIELD SURVEY, AND CORRECTIVE ACTION GUIDELINES

1. *Development of a Modeling Guideline.* [COMPANY] shall develop a written Modeling Guideline. The Modeling Guideline's purpose is to determine the Potential Minimum Instantaneous Vapor Flow Rate and the Potential Peak Instantaneous Vapor Flow Rate for designing and adequately sizing Vapor Control Systems and to provide procedures for achieving this objective. The Modeling Guideline shall address all vapor sources (*e.g.*, atmospheric storage tanks and transfer and loading systems) tied or to be tied into the Vapor Control System.
  - A. [COMPANY] shall submit a draft Modeling Guideline to EPA for its review and comment no later than 60 days after the Effective Date. Within 45 days of [COMPANY'S] submission of the draft Modeling Guideline, EPA shall inform [COMPANY] of any questions, concerns, or omissions perceived by EPA, and [COMPANY] shall amend the draft Modeling Guideline as appropriate.
  - B. [COMPANY] may periodically update the Modeling Guideline as appropriate. Should the Modeling Guideline be updated, the use of the version current at the time of the Engineering Evaluation is acceptable. Updates to the Modeling Guideline do not in and of themselves require [COMPANY] to redo Engineering Evaluations (*see* Paragraph 4 of this Appendix below).
2. *Engineering Design Standards.* [COMPANY] shall complete one or more Engineering Design Standard(s) to assess whether Vapor Control Systems are adequately sized and properly functioning considering the Potential Minimum Instantaneous Vapor Flow Rate and the Potential Peak Instantaneous Vapor Flow Rate. The Engineering Design Standard(s) may apply to Vapor Control Systems at individual Tank Systems or to groupings of Tank Systems as [COMPANY] may determine appropriate.
3. *Vapor Control System Field Survey Standard Operating Procedure (SOP).* [COMPANY] shall prepare a written SOP establishing how it will conduct its Vapor Control System Field Surveys under this Agreement. The SOP must be submitted to EPA for review and comment 60 days after the Effective Date and shall include:
  - A. Procedures for verifying the equipment associated with the Vapor Control System (Associated Equipment) installed and that the Associated Equipment is properly operating.
  - B. Procedures for conducting an IR Camera Inspection of the Vapor Control System during Normal Operations, including while and immediately after hydrocarbon liquids are being sent to the Tank System from all associated Well Production Operations.

- C. Procedures for evaluating all Vapor Control System components, including all pressure relief valves, thief hatches, mountings, and gaskets at each tank in the Tank System, and the possibility of upgrading this equipment to reduce the likelihood of VOC emissions.

Within 45 days of [COMPANY'S] submission of the SOP, EPA shall inform [COMPANY] of any questions, concerns, or omissions perceived by EPA, and [COMPANY] shall amend the SOP as appropriate.

- 4. *Vapor Control System Field Survey and Engineering Evaluation.* For each Vapor Control System, [COMPANY] shall conduct a Field Survey and an Engineering Evaluation to ensure that each Vapor Control System at each Tank System is:
  - A. Adequately designed and sized to handle the Potential Minimum Instantaneous Flow Rate and the Potential Peak Instantaneous Vapor Flow Rate that were calculated through the application of the Modeling Guideline (*see* Paragraph 1 of this Appendix above); and
  - B. Is not emitting VOCs detected with an IR Camera while and immediately after hydrocarbon liquids are being sent to the Tank System from all associated Well Production Operations.
- 5. *Vapor Control System Modifications and Verification.*
  - A. *Vapor Control System Modifications.* For those Vapor Control Systems that are not adequately designed and sized based on the Engineering Evaluation (*see* Paragraph 4 of this Appendix above) and/or emitting VOCs detected with an IR Camera while and immediately after hydrocarbon liquids are being sent to the Tank System from all associated Well Production Operations, [COMPANY] shall:
    - i. Make all necessary modifications to reduce the Potential Peak Instantaneous Vapor Flow Rate (as recalculated using the Modeling Guideline) and/or increase the capacity of the Vapor Control System in accordance with the applicable Engineering Design Standard;
    - ii. Make all necessary modifications to ensure that the control device(s) operates within manufacturer specifications for the device's size and design, considering the Potential Minimum Instantaneous Vapor Flow Rate and the Potential Peak Instantaneous Vapor Flow Rate (as recalculated using the Modeling Guideline); and/or
    - iii. Fix and/or replace Compromised Equipment associated with the Vapor Control System that may be causing VOC emissions.
  - B. *Verification.* [COMPANY] shall verify and ensure that each Vapor Control System that has been modified pursuant to Paragraph 5.A. of this Appendix is adequately

designed and sized to handle the Potential Minimum Instantaneous Vapor Flow Rate and the Potential Peak Instantaneous Vapor Flow Rate, as determined through application of an Engineering Design Standard (*see* Paragraph 2 of this Appendix above), and that equipment associated with the Vapor Control System is not causing VOC emissions. [COMPANY] shall conduct a verifying IR Camera Inspection – consistent with the specifications for the initial IR Camera Inspection detailed above in Subparagraph 3.B of this Appendix – demonstrating that after completion of the modifications pursuant to Paragraph 5.A. of this Appendix, the Vapor Control System is adequately designed and that equipment associated with the Vapor Control System is not causing VOC emissions detected with an IR Camera while and immediately after hydrocarbon liquids are being sent to the Tank System from all associated Well Production Operations.

## APPENDIX C

### AUDIT PROGRAM REPORTING AND RECORDKEEPING REQUIREMENTS

#### *Reporting Requirements*

1. *Audit Instruments.* Within 60 days of the Effective Date, [COMPANY] shall submit to EPA the [COMPANY]-tailored Audit protocols and Audit checklists (Audit Instruments) for the Audits. Within 45 days of [COMPANY'S] submission of the Audit Instruments, EPA shall inform [COMPANY] of any questions, concerns, or omissions perceived by EPA, and [COMPANY] shall amend the Audit Instruments or otherwise reach agreement with EPA on the Audit Instruments which EPA and [COMPANY] will deem to satisfy the scope of the Audits as set forth in Section IV.
2. *Semi-Annual Reports.* [COMPANY] shall disclose all Violations discovered during the Audits in written disclosure reports to be submitted to EPA on a semi-annual basis. Each Semi-Annual Report shall be submitted on the 15<sup>th</sup> day of the month (or the first business day thereafter) after the conclusion of each six-month period following the Effective Date, and shall contain the following information:
  - A. A list of the Facilities audited during the previous six-month period;
  - B. A summary of the Violations discovered;
  - C. A summary of actions taken to correct the discovered Violations (corrective actions); and
  - D. A list of any changes to the list of Facilities covered under this Agreement.
3. *Final Report.* The Final Report shall be submitted no later than 60 days following the completion of the Audit Program and all corrective actions. The Final Report shall provide, in a cumulative fashion, the following summary information regarding the disclosed and corrected Violations in tabular form<sup>1</sup>:
  - A. *Facility Compliance:* Provide the following information for each disclosed Violation, if applicable, so that EPA has complete information on the violations that may have occurred and on each facility's compliance record:
    - i. Facility Name;
    - ii. Facility address (street, city, state, and zip code (if appropriate));
    - iii. Facility GPS coordinates;
    - iv. Facility API well number;

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<sup>1</sup> See Attachment D (Audit Program Reporting Template).

- v. Facility permitting status and applicable permit number(s);
- vi. Violation;
- vii. Statutory citation;
- viii. Federal regulatory citation;
- ix. State statutory and regulatory citations (if applicable);
- x. Date noncompliance began (if known);
- xi. Date of return to compliance;
- xii. All corrective actions taken to return the Facility to compliance; and
- xiii. Indicate whether any corrective actions taken to return the Facility to compliance resulted from the requirements of Appendix B, Paragraph 5.A.

B. *Summary Compliance Information.* Provide the following information in summary form for the disclosed Violations:

- i. Explain all measures taken – and that will be taken in the future – to ensure the disclosed Violations will not be repeated; and
- ii. Cost of returning to compliance (*e.g.*, internal staff or outside consultants' time to become familiar with the regulations, preparing forms and/or permits, submitting forms and/or forms to appropriate agencies, fees collected by the state or other regulatory agencies, and start-up costs for plan implementation or tank monitoring); and
- iii. [COMPANY]-estimated amount of pollutants reduced by all corrective actions (specified by pollutant).

***Recordkeeping Requirements***

- 4. Until at least two years after resolution of this Agreement with a Final Determination, [COMPANY] shall retain, and shall instruct its contractors and agents to preserve, all non-identical copies of all documents, records, or other information (including documents, records, or other information in electronic form) (hereinafter referred to as "Records") in its or its contractors' or agents' possession or control, or that come into its or its contractors' or agents' possession or control, and that directly relate to [COMPANY'S] performance of its obligations under this Agreement. This information-retention requirement applies regardless of any contrary [COMPANY] policies or procedures. At any time during this information-

retention period, upon request by EPA, [COMPANY] shall provide copies of any Records required to be maintained under this Agreement.

5. *Privileged and Business Confidential Documents.* [COMPANY] may assert a business confidentiality claim covering part or all of the Records required to be provided under this Appendix to the extent permitted by and in accordance with 40 C.F.R. § 2.203(b). Records determined to be confidential by EPA will be afforded the protection specified in 40 C.F.R. Part 2, Subpart B. If no claim of business confidentiality accompanies Records when they are submitted to EPA, or if EPA has notified [COMPANY] that the Records are not confidential under 40 C.F.R. Part 2, Subpart B, the public may be given access to the Records without further notice to [COMPANY]. Note: “Emissions Data,” as defined at 40 C.F.R. § 2.301(a)(2), is not entitled to treatment as Confidential Business Information.
6. This Agreement in no way limits or affects any right of entry and inspection, or any right to obtain information, held by EPA or the United States pursuant to applicable federal laws, regulations, or permits, nor does it limit or affect any duty or obligation of [COMPANY] to maintain documents, records, or other information imposed by applicable federal, state, and local laws, regulations, or permits.

## **APPENDIX D**

### **AUDIT PROGRAM REPORTING TEMPLATE**

[Statement]

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**APPENDIX [X]**

**[COMPANY] NEWLY ACQUIRED OIL AND NATURAL GAS EXPLORATION AND  
PRODUCTION FACILITIES SUBJECT TO AGREEMENT**

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