

**MICHIGAN DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT
AIR QUALITY DIVISION**

October 15, 2010

PERMIT TO INSTALL
No. 161-10

ISSUED TO
Tuscola Energy, Inc.

LOCATED AT
Leon & Aerial Cosens 4-26
Wisner Township, Michigan 48701

IN THE COUNTY OF
Tuscola

STATE REGISTRATION NUMBER
P0142

The Air Quality Division has approved this Permit to Install, pursuant to the delegation of authority from the Michigan Department of Natural Resources and Environment. This permit is hereby issued in accordance with and subject to Section 5505(1) of Article II, Chapter I, Part 55, Air Pollution Control, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. Pursuant to Air Pollution Control Rule 336.1201(1), this permit constitutes the permittee's authority to install the identified emission unit(s) in accordance with all administrative rules of the Department and the attached conditions. Operation of the emission unit(s) identified in this Permit to Install is allowed pursuant to Rule 336.1201(6).

DATE OF RECEIPT OF ALL INFORMATION REQUIRED BY RULE 203: August 8, 2010	
DATE PERMIT TO INSTALL APPROVED: October 15, 2010	SIGNATURE:
DATE PERMIT VOIDED:	SIGNATURE:
DATE PERMIT REVOKED:	SIGNATURE:

PERMIT TO INSTALL

Table of Contents

Section	Page
Alphabetical Listing of Common Abbreviations / Acronyms	2
General Conditions	3
Special Conditions	5
Emission Unit Summary Table.....	5
Flexible Group Summary Table	5
Special Conditions for FGFACILITY	5

Common Abbreviations / Acronyms

Common Acronyms		Pollutant/Measurement Abbreviations	
AQD	Air Quality Division	BTU	British Thermal Unit
ANSI	American National Standards Institute	°C	Degrees Celsius
BACT	Best Available Control Technology	CO	Carbon Monoxide
CAA	Clean Air Act	dscf	Dry standard cubic foot
CEM	Continuous Emission Monitoring	dscm	Dry standard cubic meter
CFR	Code of Federal Regulations	°F	Degrees Fahrenheit
COM	Continuous Opacity Monitoring	gr	Grains
EPA	Environmental Protection Agency	Hg	Mercury
EU	Emission Unit	hr	Hour
FG	Flexible Group	H ₂ S	Hydrogen Sulfide
GACS	Gallon of Applied Coating Solids	hp	Horsepower
GC	General Condition	lb	Pound
HAP	Hazardous Air Pollutant	m	Meter
HVLP	High Volume Low Pressure *	mg	Milligram
ID	Identification	mm	Millimeter
LAER	Lowest Achievable Emission Rate	MM	Million
MACT	Maximum Achievable Control Technology	MW	Megawatts
MAERS	Michigan Air Emissions Reporting System	ng	Nanogram
MAP	Malfunction Abatement Plan	NO _x	Oxides of Nitrogen
MDNRE	Michigan Department of Natural Resources and Environment (Department)	PM	Particulate Matter
MIOSHA	Michigan Occupational Safety & Health Administration	PM10	PM less than or equal to 10 microns diameter
MSDS	Material Safety Data Sheet	PM2.5	PM less than or equal 2.5 microns diameter
NESHAP	National Emission Standard for Hazardous Air Pollutants	pph	Pound per hour
NSPS	New Source Performance Standards	ppm	Parts per million
NSR	New Source Review	ppmv	Parts per million by volume
PS	Performance Specification	ppmw	Parts per million by weight
PSD	Prevention of Significant Deterioration	psia	Pounds per square inch absolute
PTE	Permanent Total Enclosure	psig	Pounds per square inch gauge
PTI	Permit to Install	scf	Standard cubic feet
RACT	Reasonably Available Control Technology	sec	Seconds
ROP	Renewable Operating Permit	SO ₂	Sulfur Dioxide
SC	Special Condition	THC	Total Hydrocarbons
SCR	Selective Catalytic Reduction	tpy	Tons per year
SRN	State Registration Number	µg	Microgram
TAC	Toxic Air Contaminant	VOC	Volatile Organic Compounds
TEQ	Toxicity Equivalence Quotient	yr	Year
VE	Visible Emissions		

* For High Volume Low Pressure (HVLP) applicators, the pressure measured at the HVLP gun air cap shall not exceed ten (10) pounds per square inch gauge (psig).

GENERAL CONDITIONS

1. The process or process equipment covered by this permit shall not be reconstructed, relocated, or modified, unless a Permit to Install authorizing such action is issued by the Department, except to the extent such action is exempt from the Permit to Install requirements by any applicable rule. **(R 336.1201(1))**
2. If the installation, construction, reconstruction, relocation, or modification of the equipment for which this permit has been approved has not commenced within 18 months, or has been interrupted for 18 months, this permit shall become void unless otherwise authorized by the Department. Furthermore, the permittee or the designated authorized agent shall notify the Department via the Supervisor, Permit Section, Air Quality Division, Michigan Department of Natural Resources and Environment, P.O. Box 30260, Lansing, Michigan 48909, if it is decided not to pursue the installation, construction, reconstruction, relocation, or modification of the equipment allowed by this Permit to Install. **(R 336.1201(4))**
3. If this Permit to Install is issued for a process or process equipment located at a stationary source that is not subject to the Renewable Operating Permit program requirements pursuant to R 336.1210, operation of the process or process equipment is allowed by this permit if the equipment performs in accordance with the terms and conditions of this Permit to Install. **(R 336.1201(6)(b))**
4. The Department may, after notice and opportunity for a hearing, revoke this Permit to Install if evidence indicates the process or process equipment is not performing in accordance with the terms and conditions of this permit or is violating the Department's rules or the Clean Air Act. **(R 336.1201(8), Section 5510 of Act 451, PA 1994)**
5. The terms and conditions of this Permit to Install shall apply to any person or legal entity that now or hereafter owns or operates the process or process equipment at the location authorized by this Permit to Install. If the new owner or operator submits a written request to the Department pursuant to R 336.1219 and the Department approves the request, this permit will be amended to reflect the change of ownership or operational control. The request must include all of the information required by subrules (1)(a), (b), and (c) of R 336.1219 and shall be sent to the District Supervisor, Air Quality Division, Michigan Department of Natural Resources and Environment. **(R 336.1219)**
6. Operation of this equipment shall not result in the emission of an air contaminant which causes injurious effects to human health or safety, animal life, plant life of significant economic value, or property, or which causes unreasonable interference with the comfortable enjoyment of life and property. **(R 336.1901)**
7. The permittee shall provide notice of an abnormal condition, start-up, shutdown, or malfunction that results in emissions of a hazardous or toxic air pollutant which continue for more than one hour in excess of any applicable standard or limitation, or emissions of any air contaminant continuing for more than two hours in excess of an applicable standard or limitation, as required in Rule 912, to the Department. The notice shall be provided not later than two business days after start-up, shutdown, or discovery of the abnormal condition or malfunction. Written reports, if required, must be filed with the Department within 10 days after the start-up or shutdown occurred, within 10 days after the abnormal conditions or malfunction has been corrected, or within 30 days of discovery of the abnormal condition or malfunction, whichever is first. The written reports shall include all of the information required in Rule 912(5). **(R 336.1912)**
8. Approval of this permit does not exempt the permittee from complying with any future applicable requirements which may be promulgated under Part 55 of 1994 PA 451, as amended or the Federal Clean Air Act.
9. Approval of this permit does not obviate the necessity of obtaining such permits or approvals from other units of government as required by law.
10. Operation of this equipment may be subject to other requirements of Part 55 of 1994 PA 451, as amended and the rules promulgated thereunder.

11. Except as provided in subrules (2) and (3) or unless the special conditions of the Permit to Install include an alternate opacity limit established pursuant to subrule (4) of R 336.1301, the permittee shall not cause or permit to be discharged into the outer air from a process or process equipment a visible emission of density greater than the most stringent of the following. The grading of visible emissions shall be determined in accordance with R 336.1303. **(R 336.1301)**
 - a) A six-minute average of 20 percent opacity, except for one six-minute average per hour of not more than 27 percent opacity.
 - b) A visible emission limit specified by an applicable federal new source performance standard.
 - c) A visible emission limit specified as a condition of this Permit to Install.

12. Collected air contaminants shall be removed as necessary to maintain the equipment at the required operating efficiency. The collection and disposal of air contaminants shall be performed in a manner so as to minimize the introduction of contaminants to the outer air. Transport of collected air contaminants in Priority I and II areas requires the use of material handling methods specified in R 336.1370(2). **(R 336.1370)**

13. The Department may require the permittee to conduct acceptable performance tests, at the permittee's expense, in accordance with R 336.2001 and R 336.2003, under any of the conditions listed in R 336.2001. **(R 336.2001)**

SPECIAL CONDITIONS

EMISSION UNIT SUMMARY TABLE

The descriptions provided below are for informational purposes and do not constitute enforceable conditions.

Emission Unit ID	Emission Unit Description (Process Equipment & Control Devices)	Flexible Group ID
EULEONTANK	Oil storage tank	FGFACILITY
EUCHARLESTANK	Oil storage tank	FGFACILITY
EUSEPARATOR	Oil/gas separator	FGFACILITY

FLEXIBLE GROUP SUMMARY TABLE

The descriptions provided below are for informational purposes and do not constitute enforceable conditions.

Flexible Group ID	Flexible Group Description	Associated Emission Unit IDs
FGFACILITY	All process equipment source-wide including equipment covered by other permits, grand-fathered equipment, exempt equipment and control equipment.	EULEONTANK, EUCHARLESTANK, EUSEPARATOR

The following conditions apply to: FGFACILITY

DESCRIPTION: Oil production facility

Emission Units: EULEONTANK, EUCHARLESTANK, EUSEPARATOR

POLLUTION CONTROL EQUIPMENT: Flare

I. EMISSION LIMITS

1. NA

II. MATERIAL LIMITS

Material	Limit	Time Period / Operating Scenario	Equipment	Testing / Monitoring Method	Underlying Applicable Requirements
1. hydrogen sulfide (CAS No. 7783-06-4)	70 lb	calendar day	FGFACILITY	VI.1.	R 336.1225 R 336.1901

III. PROCESS/OPERATIONAL RESTRICTIONS

1. The permittee shall not use FGFACILITY to process wells other than the following without prior notification to and approval by the AQD:
 - a) Leon and Aerial Cosens 4-26 well
 - b) Charles Cosens 1-26 well**(R 336.1225, R 336.1901)**
2. The permittee shall not pump the Leon and Aerial Cosens 4-26 well for more than 8 hours per calendar day.
(R 336.1225, R 336.1901)

IV. DESIGN/EQUIPMENT PARAMETERS

1. On and after November 1, 2010 the permittee shall properly operate all of the following:
 - a) a continuously burning pilot flame at the flare. Pilot fuel shall be only sweet gas. Sweet gas is defined as any gas containing 1 grain or less of hydrogen sulfide or 10 grains or less of total sulfur per 100 standard cubic feet.
 - b) In the event that the pilot flame is extinguished, a mechanism shall automatically shut off fluid flow into EUSEPARATOR. Furthermore, the Leon and Aerial Cosens 4-26 well shall shut down before the pressure reaches a company-determined safety set-point. The permittee shall not resume fluid flow into EUSEPARATOR unless the flare pilot flame is re-ignited and maintained.**(R 336.1224, R 336.1225, R 336.1403, R 336.1702(a), R 336.1901, R 336.1910)**
2. The flare shall be properly engineered. **(R 336.1224, R 336.1225, R 336.1403, R 336.1702(a), R 336.1901, R 336.1910)**
3. On and after November 1, 2010 the permittee shall not operate FGFACILITY unless all emergency relief valves, all storage tanks, and all dehydrators are vented to a flare, an incinerator or a vapor recovery system. **(R 336.1224, R 336.1225, R 336.1403, R 336.1702(a), R 336.1901, R 336.1910)**
4. The permittee shall not load out the oil, brine and condensate storage tanks unless a vapor return system is installed, maintained and operated in a satisfactory manner. **(R 336.1224, R 336.1225, R 336.1702(a), R 336.1901)**

V. TESTING/SAMPLING

1. NA

VI. MONITORING/RECORDKEEPING

Records shall be maintained on file for a period of five years. **(R 336.1201(3))**

1. The permittee shall monitor and record all of the following at the frequency indicated:
 - a) Gauge the oil collected in EULEONTANK – at the end of each calendar day after the Leon and Aerial Cosens 4-26 well has stopped pumping
 - b) Gas to oil ratio (GOR) - quarterly
 - c) concentration of hydrogen sulfide in the sour gas going to the flare with the well pumping – quarterly
 - d) each and every time of day that the Leon and Aerial Cosens 4-26 well begins pumping
 - e) each and every time of day that the Leon and Aerial Cosens 4-26 well stops pumpingBoth of the following are acceptable means of determining the concentration of hydrogen sulfide in the sour gas:
 - I. Colorimetric detector tube
 - II. laboratory gas analysis

The permittee shall perform 4 consecutive quarterly readings of the concentration of hydrogen sulfide in the sour gas. After successful completion of the 4 consecutive quarterly readings, the permittee may request an alternative monitoring schedule. Any request for an alternative monitoring schedule shall be submitted to the AQD District Supervisor for approval. The requested monitoring frequency shall be no less than annual. **(R 336.1225, R 336.1901)**

2. The permittee shall perform the following calculations at the frequency indicated:
 - a) GOR - quarterly
 - b) calculate the mass flow rate of H2S going to the flare for each calendar day using all of the following:
 - I. the most recent concentration of hydrogen sulfide in the sour gas determined with the well pumping - monthly
 - II. the individual daily volume of sour gas going to the flare calculated from the following:
 - i. most recent GOR
 - ii. daily recorded volume of collected oil in EULEONTANK
 - iii. the following equation:

$$(\text{ft}^3 \text{ sour gas/day})(\text{ft}^3 \text{ H}_2\text{S}/100\text{ft}^3 \text{ sour gas})(\#\text{mol H}_2\text{S}/385\text{ft}^3 \text{ H}_2\text{S})(34\# \text{ H}_2\text{S}/\#\text{mol H}_2\text{S}) = \#/\text{day H}_2\text{S}$$
3. The permittee shall complete all required calculations in a format acceptable to the AQD District Supervisor by the 15th day of the calendar month, for the previous calendar month, unless otherwise specified in any monitoring/recordkeeping special condition. The permittee shall keep these records on file at a location approved by the AQD District Supervisor and make them available to the Department upon request. **(R 336.1225, R 336.1901)**

VII. REPORTING

1. NA

VIII. STACK/VENT RESTRICTIONS

The exhaust gases from the stacks listed in the table below shall be discharged unobstructed vertically upwards to the ambient air unless otherwise noted:

Stack & Vent ID	Maximum Exhaust Diameter/Dimensions (inches)	Minimum Height Above Ground (feet)	Underlying Applicable Requirements
1. SVFLARE	3	40	R 336.1225, R 336.1901

IX. OTHER REQUIREMENTS

1. NA