



October 16, 2014

VIA ELECTRONIC MAIL ONLY

Mr. Shane Nixon:
Michigan Department of Environmental Quality
Cadillac District Office
120 West Chapin Street
Cadillac, Michigan 49601-2159

RECEIVED DEQ/AQD	
OCT 16 2014	
MACES <input checked="" type="checkbox"/>	FILE: Otsego
MAERS <input type="checkbox"/>	Manila
CC:	

Re: Merit Energy Company – Otsego Lake 34, Otsego Lake Township
MDEQ Permit to Install (PTI) 327-07A
Initial Response to September 26, 2014 Violation Notice

Dear Mr. Nixon:

This letter provides Merit Energy Company's ("Merit's") initial response to the claim set forth in a Violation Notice MDEQ issued to Merit on September 26, 2014. Section I of this letter provides an overview of the oil and gas processing functions at the Otsego 34. Section II sets forth Merit's initial response to the single claim set forth in the Violation Notice.

I. Overview of the Otsego 34 Central Processing Facility

Natural gas, crude oil, condensate, and brine fluids are extracted from 3 producing wells drilled into the Niagaran formation. The gas and fluids are routed to the facility through flow lines. The temperature of the gas and fluids are increased by inline heaters and the fluids are separated and stored in tanks controlled by a vapor recovery unit (VRU). It should be noted that if the VRU is down or is not operating efficiently and the internal pressure of the tanks reaches approximately 8 ounces (the setting on the Enardo valve), the vapors from the tanks are routed to the flare for destruction. The flare is also used to control vapors during emergency or planned equipment depressurization.

The natural gas is compressed by an internal combustion engine compressor. At the outlet of the compressor, the gas stream enters an iron sponge to remove H₂S present in the gas stream. After the gas exits the iron sponge, the saturated water vapor is removed by glycol dehydration and the residue gas is sold or used to fuel the internal and external combustion devices at the facility.

II. Merit's Response to Violation Claim

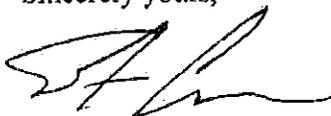
Claim: *Visual emissions from the flare were greater than 20 percent opacity (September 17, 2014). Alleged violation of General Condition No. 11 and Rule 301(1)(a)*

We had a phone conversation on October 10, 2014 during which you indicated that you observed Beckman Production Services (Beckman) at the truck load out during your site visit (September 17, 2014) and while you conducted your opacity readings. Merit confirmed that Beckman was on-site to remove the sour crude and condensate stored in the tanks using a vacuum truck at the load out (Attachment 1) on September 17. As the vacuum truck was being filled, the crude and condensate flashed, creating sour gas vapors within the storage portion of the truck. The vacuum truck was connected to a vent line which directed the gas vapors to the flare. We believe that the excess emissions you observed at the flare on September 17, 2014 were caused by the load out activities.

In response to the claim, Merit reviewed its truck loading procedures at the facility. The loading vent line has been disconnected from the flare as this may cause an unsafe condition if excess air is drawn into the flare knockout tank. In addition, this will prevent future excess emissions from the flare during truck loading activities like observed on September 17, 2014. Merit has constructed the truck loading vent line to be routed to atmosphere as required in Part 615 R 324.1126(2). Merit has also conducted an on-site training with Beckman on October 15, 2014 to educate them on the proper load out procedures utilizing the truck loading vent line.

Thank you for the opportunity to supply this response to the September 26, 2014 Violation Notice. If you would like to schedule a time to meet and discuss this response, please let me know.

Sincerely yours,



Sean F. Craven
Regulatory Analyst
Merit Energy Company

ATTACHMENT 1

Beckman Production Services, Inc.

PO Box 670
 Kalkaska, MI 49646
 Telephone: (231) 258-9524
 Fax: (231) 258-4521

RECEIVED

SEP 26 2014

Invoice

Page 1 of 1

Invoice No.: 0000175511
 Invoice Date: 9/24/2014
 Customer No.: MER06
 Customer P.O.: 8880000146
 Reference
 Project Name: OTSEGO 34
 Department: Gaylord

Bill To: Merit Energy Company (BPS)
 P O Box 910
 Kalkaska, MI 49646 USA

Item	Description	Unit	Quantity	Price	Amount
402	9/17/2014 480208 Vacuum Truck #402	Hours	7.0000	92.0000	644.00
400	9/20/2014 480277 Vac Truck #400	Hour	1.0000	92.0000	92.00
----- LAST ITEM -----					

TERMS: Net 30 Days. Interest (at the rate of 1.5% per month) is charged on all past due amounts. Remit to the address above.

Subtotal	736.00
Sales Tax	0.00
Total	736.00

REMIT TO:

VAC TRUCK 402

Beckman Production Services, Inc.

480208

SINGLE DERRICK NO. _____ P.O. BOX 670 • KALKASKA, MICHIGAN 49646 • 231-258-9524

175511

DOUBLE DERRICK NO. _____

CHARGE TO: MERIT DAY OF WEEK WED.

MAILING ADDRESS: _____ STATE MI

F. W. O. NO. _____ JOB NO. 1

LEASE: OTSEGO WELL NO. 34 DATE: 9-17-14

LY _____ AL _____ LL _____ AY _____

TIME	DESCRIPTION OF WORK
8:00 3:00	PULLED 105 BBLs OF "SOUR CRUDE/CONDENSATE" FROM THE OTSEGO 34 TRANSFERRED TO FREDRIC 10 FOR PROCESSING

PERSONNEL AND EQUIPMENT	INJURED		UNIT TIME	DRIVE TIME	TOTAL HOURS	RATE	COST
	YES	NO					
UNIT TIME <input type="checkbox"/> STANDBY <input type="checkbox"/>							
CREW CHIEF <u>TODD FLINT #0671</u>		<input checked="" type="checkbox"/>			<u>7</u>	<u>92⁰⁰</u>	<u>644⁰⁰</u>
HELPER							
HELPER							
HELPER							
PICKUP							
BLOWOUT PREVENTER							
POWER TONGS							
SWAB CUPS NO. SIZE @ EACH							
OIL SAVER RUBBERS NO. @ EACH							
SLIP TYPE ELEVATORS							
OTHER							
FUEL CHARGE %							

ACCEPTED _____ COST 644.⁰⁰
 Company Representative

TERMS: NET 30 DAY 1 1/2% PER MONTH (ANNUAL RATE 18% ADDED AFTER 30 DAYS.)

