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Reference News Release: Noble Energy Inc. agrees to make system upgrades and fund projects to reduce air pollution in Colorado

Reference News Release

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Release Date: 04/22/2015

(Denver, Colo.-- April 22, 2015) The U.S. Environmental Protection Agency, Department of Justice and the State of Colorado today announced a settlement with Houston-based Noble Energy, Inc. resolving alleged Clean Air Act violations stemming from the company's oil and gas exploration and production activities in the Denver-Julesburg Basin, north of Denver, Colorado. The settlement resolves claims that Noble failed to adequately design, size, operate and maintain vapor control systems on its controlled condensate storage tanks, resulting in emissions of volatile organic compounds (VOCs). VOCs are a key component in the formation of smog or ground-level ozone, a pollutant that irritates the lungs, exacerbates diseases such as asthma, and can increase susceptibility to respiratory illnesses, such as pneumonia and bronchitis.

As part of the settlement, Noble will spend an estimated \$60 million on system upgrades, monitoring and inspections to reduce emissions, in addition to \$4.5 million to fund environmental mitigation projects, \$4 million on supplemental environmental projects, and a \$4.95 million civil penalty.

The case arose from a joint EPA and Colorado investigation that found significant VOC emissions coming from storage tanks, primarily due to undersized vapor control systems. Noble has agreed to evaluate vapor control system designs, significantly reduce VOC emissions, and provide reports to the public. These reports will give other companies the opportunity to learn and apply this information to emissions estimates and vapor control system designs. Using advanced monitoring technologies, Noble will be better able to detect air pollution problems in real time and ensure proper operation and maintenance of pollution control equipment.

"Today's agreement demonstrates EPA's commitment to work with the state of Colorado to address regional pollution challenges," said Shaun McGrath, EPA's Regional Administrator in Denver. "Noble Energy's efforts to reduce emissions from its production facilities will benefit communities in an area of the Front Range that is currently not meeting the national air quality standard for ozone pollution. As the development of Colorado's energy resources continues, EPA will continue to engage our partners to identify practical measures to protect public

"This first-of-its-kind settlement takes a basin-wide, systematic approach to address oil and gas emissions," said Assistant Attorney General John C. Cruden for DOJ's Environment and Natural Resources Division. "Our nation's energy security and independence requires that oil and gas production be done safely, responsibly, and lawfully. We look forward to continuing to work with states and the oil and gas industry to ensure that oil and gas emissions are minimized nationwide."

Under the settlement lodged today in Colorado, Noble will perform engineering evaluations and make modifications to ensure that its vapor control systems are properly designed and sized to capture and control VOC emissions. Noble will use an infrared camera to inspect these systems, both initially to confirm capture and control of VOCs and periodically to verify proper upkeep and operation. These activities will be audited by a third-party, and Noble will develop and post reports summarizing its engineering evaluations and modifications online. Additionally, Noble will install monitors at certain storage tanks to detect tank pressure increases that may indicate possible emission releases. Noble has also committed to evaluate the condition of pressure relief valves, thief hatches, and mountings and gaskets on each storage tank and address any evidence of VOC emissions from those devices.

EPA estimates that modifications to the vapor control systems will reduce VOC emissions by at least 2,400 tons per year, and that significant additional reductions will be achieved with operational and maintenance improvements.

The settlement covers all of Noble's controlled condensate storage tanks in the Denver 8-hour ozone marginal nonattainment area that have vapor control systems operating pursuant to the Colorado State Implementation Plan - more than 3,400 tank batteries, which are multiple storage tanks located together. Noble must survey all of its controlled condensate storage tanks in the area and implement any needed design changes to minimize emissions and ensure compliance with state regulations. Noble already has begun this work, having focused first on its largest storage tank batteries.

In addition to system upgrades, monitoring and inspections, Noble will spend at least \$4.5 million on mitigation projects to reduce and prevent harmful emissions. These projects include: offloading condensate from storage tanks into tanker trucks in a closed system to prevent vapors from being emitted to the atmosphere; retrofitting diesel engines on drilling rigs and pumps used in fracturing operations to lower emissions of nitrogen oxide or ozone precursors; and replacing high-emitting 2-stroke gas-fired lawnmowers being used by residents with electric lawnmowers. These projects are expected to reduce VOC and nitrogen oxide emissions by a combined 800 tons or more per year. Additionally, Noble will require its tank truck contractors to implement an alternative oil measurement standard once it is approved by relevant authorities. This would substantially reduce or eliminate VOC emissions associated with opening storage tanks' thief hatches.

Noble will also complete supplemental environmental projects costing a total of \$4 million. One of the projects will provide financial incentives to residents in the ozone nonattainment area to replace or retrofit inefficient, higher-polluting wood-burning or coal appliances with cleaner burning, more efficient heating appliances and technologies. This project is expected to achieve emission reductions of 450 tons per year of carbon monoxide, 130 tons per year of VOCs, 60 tons per year of fine particulates known as PM2.5, and 10 tons per year of hazardous air pollutants. A second project will consist of a study - portions of which will be reported publicly - evaluating the reliability of various pressurized hydrocarbon liquids sampling and laboratory analysis techniques. The study is expected to result in more accurate data to estimate emissions associated with condensate storage tanks. Noble will spend \$2 million on additional State-approved supplemental environmental projects. Noble will propose projects for State approval after the court concludes its review of the settlement.

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This settlement is part of EPA's national enforcement initiative to reduce public health and environmental impacts from energy extraction activities. For more information about EPA's enforcement initiative, click here:<http://www2.epa.gov/enforcement/national-enforcement-initiative-ensuring-energy-extraction-activities-comply>.

The State of Colorado will receive \$1.475 million of the total \$4.95 million civil penalty in this case.

More on this settlement: <http://www2.epa.gov/enforcement/noble-energy-inc-settlement>

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