STATEMENT OF BASIS

Quantum Resources Management LLC
St. Regis Gas Treatment Facility and Jay Gas Plant
Facility ID No.: 1130005
Santa Rosa County

Title V Air Operation Permit Renewal
FINAL Title V Air Operation Permit No.: 1130005-012-AV

This Title V Air Operation Permit Renewal is issued under the provisions of Chapter 403, Florida Statutes (F.S.), and Florida Administrative Code (F.A.C.) Chapters 62-4, 62-210 and 62-213. The above named Permittee is hereby authorized to operate the facility shown on the application and approved drawing(s), plans, and other documents, attached hereto or on file with the permitting authority, in accordance with the terms and conditions of this permit.

This is a renewal of the initial Title V Air Operation Permit, No. 1130005-004-AV, effective March 4, 2005. Several subsequent construction permits were incorporated into the initial Title V Air Operation Permit, by two previous revisions: No. 1130005-009-AV, effective April 3, 2008 and No. 1130005-011-AV, effective September 16, 2008.

This facility consists of sulfur recovery plants, oil and gas treating including natural gas dehydration and tri-ethylene glycol (TEG) regeneration, saltwater disposal, and tertiary recovery.

Two sulfur recovery plants (J2 and J3) (EU 034), were built in the early 1970s and precede NSPS requirements but are subject to emission limits in Rule 62-296.409, F.A.C. These plants control sulfur emissions from the production and treating of sour crude oil and gas from the Jay Oil Field. Acid gas containing H_2S from oil and gas production is oxidized and reacted to form elemental sulfur by a multi stage Claus process. A minimum of 96% of the H_2S is recovered as elemental sulfur. Unconverted H_2S is thermally oxidized to SO_2 prior to discharge.

The primary emergency flare (FL01) and the saltwater disposal system flare (FL02) were built in the early 1980's. The primary emergency flare includes continuous feed and purge streams with a 26.0 MCF/hr pilot; the spare emergency flare, a 0.5 MCF/hr pilot stream; and the JCSWD system flare, continuous feed streams and a 0.5 MCF/hr pilot stream. SO2 emissions, limited by Initial Title V Operation permit 1130005-001-AV, are controlled by a smokeless flare tip on each flare with a manual eductor gas system.

A Centaur turbine (EU 037), located at the Jay Central Saltwater Disposal Facility (JCSWD) was constructed in 1983. The natural gas fired turbine is subject to 40 CFR 60 Subpart GG, Standards of Performance for Stationary Gas Turbines, and 40 CFR 63 Subpart YYYY, NESHAP for Stationary Combustion Turbines, incorporated by reference in Rule 62-204.800(7)(b)39, F.A.C. In addition this unit is subject to applicable requirements of 40 CFR 60 and 63 Subpart A (General Provisions).

A Recompressor 4-stroke rich-burn engine (EU 038) are subject to 40 CFR 63 Subpart ZZZZ (RICE MACT), NESHAP for Stationary Reciprocating Internal Combustion Engines, because they are located at a major source of HAP emissions.

Five 1,000 Hp Ingersoll-Rand Recompressor Engines (EU 044) each with a heat input of 11.6 million Btu per hour are equipped with catalytic converters. The catalytic converters limit the exhaust concentration of formaldehyde, to comply with 40 CFR 63 Subpart ZZZZ - Stationary Reciprocating Internal Combustion Engines.

Sulfur storage pits (Jay 2 and Jay 3) (EU 039) store molten sulfur prior to transfer by loading racks to tanker trucks. The pits are regulated by Rule 62-296.411, F.A.C.

A glycol reboiler vent (EU 048) controls HAP and VOC emissions with an air-cooled condenser. Wet natural gas and dry tri-ethylene glycol (TEG) are contacted in a packed contactor tower to remove water from the natural gas. TEG is regenerated by heating and vaporizing the water content as steam in the TEG reboiler. Dried TEG is reused in the contactor tower, while the vapor is condensed to recover organics. 40 CFR 63 Subpart HH, NESHAP from oil and natural gas production regulates this process, a major source of HAP. The vent stream is combusted in the flame-zone of the TEG reboiler process heater with a venturi burner. This exempts Quantum from preparing a design analysis, and conducting performance testing and monitoring.

Various gas fired process heaters (Jay 2 and Jay 3 process heater, Jay 2 and Jay 3 stabilizer bottom heaters and Jay plant hot oil heater) (EU 040, 041 and 042) are used throughout the facility. With the vacature of 40 CFR 63 Subpart DDDDD, NESHAP for heaters and boilers in Federal Court, the heaters have no rule requirement.

Two natural gas-fired Cooper-Bessemer engines (EU 045 and 046)and are required in 40 CFR 63 Subpart ZZZZ, NESHAP for Stationary Reciprocating Internal Combustion Engines, to maintain a record of an applicability determination for 5-years.

A natural gas-fired Waterflood turbine (EU 050) is regulated by Rule 62-296.320, F.A.C. and 40 CFR 60 Subpart GG, NSPS for Stationary Gas Turbines.

Also included in this permit are miscellaneous unregulated/insignificant emissions units and/or activities.

Based on the Title V permit renewal application received September 4, 2009, this facility is a major source of hazardous air pollutants (HAP).