

**New York State Department of Environmental Conservation
Facility DEC ID: 8072600058**



**PERMIT
Under the Environmental Conservation Law (ECL)**

IDENTIFICATION INFORMATION

Permit Type: Air State Facility
Permit ID: 8-0726-00058/00002
Effective Date: 08/25/2005 Expiration Date: No expiration date

Permit Issued To: FORTUNA ENERGY INC
203 COLONIAL DR
HORSEHEADS, NY 14845

Contact: RUSS ERLANDSON
FORTUNA ENERGY INC
203 COLONIAL DRIVE
HORSEHEADS, NY 14845
(607) 795-2720

Facility: CATLIN HILL COMPRESSOR STATION
BROWN & CEMETERY RDS
CATLIN, NY 14812

Description:
Initial Air State Facility Permit to expand an existing natural gas compression facility to include the installation and operation of two additional compressors. One of the compressors, removed from the Pine Hill Compression Facility, will be installed within the existing building alongside the currently operating Catlin compressor. A third compressor, new compressor building and related facilities will be installed approximately 30 feet to the west of the existing compressor building. Additionally, a meter site and approximately 150 feet of 6-inch pipeline will be constructed to connect the facility to the existing Columbia Gas pipeline tap. This facility was previously covered by an Air Facility Registration.

By acceptance of this permit, the permittee agrees that the permit is contingent upon strict compliance with the ECL, all applicable regulations, the General Conditions specified and any Special Conditions included as part of this permit.

Permit Administrator: DAVID L BIMBER
DIVISION OF ENVIRONMENTAL PERMITS
6274 EAST AVON LIMA RD
AVON, NY 14414-9519

Authorized Signature: _____ Date: ____ / ____ / ____



Notification of Other State Permittee Obligations

Item A: Permittee Accepts Legal Responsibility and Agrees to Indemnification

The permittee expressly agrees to indemnify and hold harmless the Department of Environmental Conservation of the State of New York, its representatives, employees, and agents ("DEC") for all claims, suits, actions, and damages, to the extent attributable to the permittee's acts or omissions in connection with the permittee's undertaking of activities in connection with, or operation and maintenance of, the facility or facilities authorized by the permit whether in compliance or not in compliance with the terms and conditions of the permit. This indemnification does not extend to any claims, suits, actions, or damages to the extent attributable to DEC's own negligent or intentional acts or omissions, or to any claims, suits, or actions naming the DEC and arising under article 78 of the New York Civil Practice Laws and Rules or any citizen suit or civil rights provision under federal or state laws.

Item B: Permittee's Contractors to Comply with Permit

The permittee is responsible for informing its independent contractors, employees, agents and assigns of their responsibility to comply with this permit, including all special conditions while acting as the permittee's agent with respect to the permitted activities, and such persons shall be subject to the same sanctions for violations of the Environmental Conservation Law as those prescribed for the permittee.

Item C: Permittee Responsible for Obtaining Other Required Permits

The permittee is responsible for obtaining any other permits, approvals, lands, easements and rights-of-way that may be required to carry out the activities that are authorized by this permit.

Item D: No Right to Trespass or Interfere with Riparian Rights

This permit does not convey to the permittee any right to trespass upon the lands or interfere with the riparian rights of others in order to perform the permitted work nor does it authorize the impairment of any rights, title, or interest in real or personal property held or vested in a person not a party to the permit.



LIST OF CONDITIONS

DEC GENERAL CONDITIONS

General Provisions

Facility Inspection by the Department

Relationship of this Permit to Other Department Orders and Determinations

Applications for Permit Renewals and Modifications

Permit Modifications, Suspensions and Revocations by the Department

Facility Level

Submission of Applications for Permit Modification or Renewal -REGION 8
HEADQUARTERS



DEC GENERAL CONDITIONS
****** General Provisions ******
GENERAL CONDITIONS - Apply to ALL Authorized Permits.

Condition 1: Facility Inspection by the Department
Applicable State Requirement: ECL 19-0305

Item 1.1:

The permitted site or facility, including relevant records, is subject to inspection at reasonable hours and intervals by an authorized representative of the Department of Environmental Conservation (the Department) to determine whether the permittee is complying with this permit and the ECL. Such representative may order the work suspended pursuant to ECL 71-0301 and SAPA 401(3).

Item 1.2:

The permittee shall provide a person to accompany the Department's representative during an inspection to the permit area when requested by the Department.

Item 1.3:

A copy of this permit, including all referenced maps, drawings and special conditions, must be available for inspection by the Department at all times at the project site or facility. Failure to produce a copy of the permit upon request by a Department representative is a violation of this permit.

Condition 2: Relationship of this Permit to Other Department Orders and Determinations
Applicable State Requirement: ECL 3-0301.2(m)

Item 2.1:

Unless expressly provided for by the Department, issuance of this permit does not modify, supersede or rescind any order or determination previously issued by the Department or any of the terms, conditions or requirements contained in such order or determination.

Condition 3: Applications for Permit Renewals and Modifications
Applicable State Requirement: 6NYCRR 621.13

Item 3.1:

The permittee must submit a separate written application to the Department for renewal, modification or transfer of this permit. Such application must include any forms or supplemental information the Department requires. Any renewal, modification or transfer granted by the Department must be in writing.

Item 3.2:

The permittee must submit a renewal application at least 180 days before expiration of permits for Title V Facility Permits, or at least 30 days before expiration of permits for State Facility Permits.

Item 3.3:

Permits are transferrable with the approval of the department unless specifically prohibited by the statute, regulation or another permit condition. Applications for permit transfer should be submitted prior to actual



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transfer of ownership.

Condition 4: Permit Modifications, Suspensions and Revocations by the Department
Applicable State Requirement: 6NYCRR 621.14

Item 4.1:

The Department reserves the right to modify, suspend, or revoke this permit in accordance with 6NYCRR Part 621. The grounds for modification, suspension or revocation include:

- a) materially false or inaccurate statements in the permit application or supporting papers;
- b) failure by the permittee to comply with any terms or conditions of the permit;
- c) exceeding the scope of the project as described in the permit application;
- d) newly discovered material information or a material change in environmental conditions, relevant technology or applicable law or regulations since the issuance of the existing permit;
- e) noncompliance with previously issued permit conditions, orders of the commissioner, any provisions of the Environmental Conservation Law or regulations of the Department related to the permitted activity.

****** Facility Level ******

Condition 5: Submission of Applications for Permit Modification or Renewal -REGION 8 HEADQUARTERS
Applicable State Requirement: 6NYCRR 621.5(a)

Item 5.1:

Submission of applications for permit modification or renewal are to be submitted to:

NYSDEC Regional Permit Administrator
Region 8 Headquarters
Division of Environmental Permits
6274 Avon-Lima Road
Avon, NY 14414-9519
(716) 226-2466



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ARTICLE 19: AIR POLLUTION CONTROL - AIR STATE FACILITY PERMIT

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203 COLONIAL DR
HORSEHEADS, NY 14845

Facility: CATLIN HILL COMPRESSOR STATION
BROWN & CEMETERY RDS
CATLIN, NY 14812

Authorized Activity By Standard Industrial Classification Code:
4922 - NATURAL GAS TRANSMISSION



LIST OF CONDITIONS

STATE ONLY ENFORCEABLE CONDITIONS

Facility Level

- 1 ECL 19-0301: Contaminant List
- 2 6NYCRR 201-1.4: Unavoidable noncompliance and violations
- 3 6NYCRR 201-5: Emission Unit Definition
- 6 6NYCRR 211.2: Air pollution prohibited

Emission Unit Level

- 4 6NYCRR 201-5: Emission Point Definition By Emission Unit
- 5 6NYCRR 201-5: Process Definition By Emission Unit

Permit Effective Date: 08/25/2005

Permit Expiration Date: No expiration date.



STATE ONLY ENFORCEABLE CONDITIONS

****** Facility Level ******

NOTIFICATION OF GENERAL PERMITTEE OBLIGATIONS

This section contains terms and conditions which are not federally enforceable. Permittees may also have other obligations under regulations of general applicability

Item A: Public Access to Recordkeeping for Facilities With State Facility Permits - 6NYCRR Part 201-1.10(a)

Where emission source owners and/or operators keep records pursuant to compliance with the operational flexibility requirements of 6 NYCRR Subpart 201-5.4(b)(1) , and/or the emission capping requirements of 6 NYCRR Subparts 201-7.2(d), 201-7.3(f), 201-7.3(g), 201-7.3(h)(5), 201-7.3(i) and 201-7.3(j), the Department will make such records available to the public upon request in accordance with 6 NYCRR Part 616 - Public Access to Records. Emission source owners and/or operators must submit the records required to comply with the request within sixty working days of written notification by the Department of receipt of the request.

Item B: General Provisions for State Enforceable Permit Terms and Condition - 6 NYCRR Part 201-5

Any person who owns and/or operates stationary sources shall operate and maintain all emission units and any required emission control devices in compliance with all applicable Parts of this Chapter and existing laws, and shall operate the facility in accordance with all criteria, emission limits, terms, conditions, and standards in this permit. Failure of such person to properly operate and maintain the effectiveness of such emission units and emission control devices may be sufficient reason for the Department to revoke or deny a permit.

The owner or operator of the permitted facility must maintain all required records on-site for a period of five years and make them available to representatives of the Department upon request. Department representatives must be granted access to any facility regulated by this Subpart, during normal operating hours, for the purpose of determining compliance with this and any other state and federal air pollution control requirements, regulations or

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law.

STATE ONLY APPLICABLE REQUIREMENTS

The following conditions are state only enforceable.

Condition 1: Contaminant List

Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: ECL 19-0301

Emissions of the following contaminants are subject to contaminant specific requirements in this permit(emission limits, control requirements or compliance monitoring conditions).

No contaminants.

Condition 2: Unavoidable noncompliance and violations

Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: 6NYCRR 201-1.4

Item 2.1:

At the discretion of the commissioner a violation of any applicable emission standard for necessary scheduled equipment maintenance, start-up/shutdown conditions and malfunctions or upsets may be excused if such violations are unavoidable. The following actions and recordkeeping and reporting requirements must be adhered to in such circumstances.

(a) The facility owner and/or operator shall compile and maintain records of all equipment maintenance or start-up/shutdown activities when they can be expected to result in an exceedance of any applicable emission standard, and shall submit a report of such activities to the commissioner's representative when requested to do so in writing or when so required by a condition of a permit issued for the corresponding air contamination source except where conditions elsewhere in this permit which contain more stringent reporting and notification provisions for an applicable requirement, in which case they supercede those stated here. Such reports shall describe why the violation was unavoidable and shall include the time, frequency and duration of the maintenance and/or start-up/shutdown activities and the identification of air contaminants, and the estimated emission rates. If a facility owner and/or operator is subject to continuous stack monitoring and quarterly reporting requirements, he need not submit reports for equipment maintenance or start-up/shutdown for the facility to the commissioner's representative.

(b) In the event that emissions of air contaminants in excess of any emission standard in 6 NYCRR Chapter III Subchapter A occur due to a malfunction, the facility owner and/or operator shall report such malfunction by telephone to the commissioner's representative as soon as possible during normal working hours, but in any event not later than two working days after becoming aware that the malfunction occurred. Within 30 days thereafter, when requested in writing by the commissioner's representative, the facility owner and/or operator shall submit a written report to the commissioner's representative describing the malfunction, the corrective action taken, identification of air contaminants, and an estimate



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of the emission rates. These reporting requirements are superceded by conditions elsewhere in this permit which contain reporting and notification provisions for applicable requirements more stringent than those above.

(c) The Department may also require the owner and/or operator to include in reports described under (a) and (b) above an estimate of the maximum ground level concentration of each air contaminant emitted and the effect of such emissions depending on the deviation of the malfunction and the air contaminants emitted.

(d) In the event of maintenance, start-up/shutdown or malfunction conditions which result in emissions exceeding any applicable emission standard, the facility owner and/or operator shall take appropriate action to prevent emissions which will result in contravention of any applicable ambient air quality standard. Reasonably available control technology, as determined by the commissioner, shall be applied during any maintenance, start-up/shutdown or malfunction condition subject to this paragraph.

(e) In order to have a violation of a federal regulation (such as a new source performance standard or national emissions standard for hazardous air pollutants) excused, the specific federal regulation must provide for an affirmative defense during start-up, shutdowns, malfunctions or upsets.

Condition 3: Emission Unit Definition
Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: 6NYCRR 201-5

Item 3.1:

The facility is authorized to perform regulated processes under this permit for:

Emission Unit: 0-00001

Emission Unit Description:

Three natural gas engines driving three compressors for a natural gas gathering system. One triethylene glycol dehydration burner to remove water from natural gas.

Building(s): 00001

00002

Condition 6: Air pollution prohibited
Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: 6NYCRR 211.2

Item 6.1:

No person shall cause or allow emissions of air contaminants to the outdoor atmosphere of such quantity, characteristic or duration which are injurious to human, plant or animal life or to property, or which unreasonably interfere with the comfortable enjoyment of life or property. Notwithstanding the existence of specific air quality standards or emission limits, this prohibition applies, but is not limited to, any particulate, fume, gas, mist, odor, smoke, vapor, pollen, toxic or deleterious emission, either alone or in combination with others.



**** Emission Unit Level ****

Condition 4: Emission Point Definition By Emission Unit
Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: 6NYCRR 201-5

Item 4.1:

The following emission points are included in this permit for the cited Emission Unit:

Emission Unit: 0-00001			
Emission Point: 00001			
Height (ft.): 26	Diameter (in.): 12		Building: 00001
Emission Point: 00002			
Height (ft.): 26	Diameter (in.): 12		Building: 00001
Emission Point: 00003			
Height (ft.): 26	Diameter (in.): 12		Building: 00002
Emission Point: 00004			
Height (ft.): 15	Diameter (in.): 3		

Condition 5: Process Definition By Emission Unit
Effective between the dates of 08/25/2005 and Permit Expiration Date

Applicable State Requirement: 6NYCRR 201-5

Item 5.1:

This permit authorizes the following regulated processes for the cited Emission Unit:

Emission Unit: 0-00001
Process: 001
Process Description:
Three separate natural gas engines drive aerial compressors which draws low pressure gas from surrounding wells. The compressors increase the pressure for a high pressure pipeline. The gas leaves the compressors and flows through the triethylene glycol dehydration burner to dry the gas of water. The gas then flows to a high



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pressure market. Two engines are in building B0001, and one engine is in building B0002.

Emission Source/Control: FEI01 - Process

Emission Source/Control: FEI02 - Process

Emission Source/Control: FEI03 - Process

Emission Source/Control: FEI04 - Process

Item 5.2:

This permit authorizes the following regulated processes for the cited Emission Unit:

Emission Unit: 0-00001

Process: 002

Process Description:

A glycol dehydrator heats saturated glycol with a natural gas burner and removes the water from the glycol by vaporization.

Emission Source/Control: FEI04 - Process