

## AIR QUALITY PERMIT

Issued To:	Nance Petroleum Corporation	Permit: #3401-00
	Asbeck 15-35	Application Complete: 04/06/05
	550 North 31 <sup>st</sup> Street, Suite 500	Preliminary Determination Issued: 05/02/05
	Billings, MT 59101	Department's Decision Issued: 05/18/05
		Permit Final: 06/03/05
		AFS: #083-0055

An air quality permit, with conditions, is hereby granted to Nance Petroleum Corporation (Nance), pursuant to Sections 75-2-204 and 211 of the Montana Code Annotated (MCA), as amended, and the Administrative Rules of Montana (ARM) 17.8.740, *et seq.*, as amended, for the following:

### SECTION I: Permitted Facilities

#### A. Permitted Equipment

Permit #3401-00 is issued to Nance for the operation of an oil and gas production tank facility. The facility is known as Asbeck 15-35. A complete list of the permitted equipment is contained in Section I.A of the permit analysis.

#### B. Plant Location

The facility is located in the SW $\frac{1}{4}$  of the SE $\frac{1}{4}$  of Section 35, Township 24 North, Range 59 East, in Richland County, Montana. The facility's office is located at 550 North 31<sup>st</sup> Street, Suite 500 in Billings, Montana.

### SECTION II: Conditions and Limitations

#### A. Emission Control Requirements

1. Nance's Asbeck 15-35 shall be limited to 127,750 barrels (bbl) of oil production during any rolling 12-month time period (ARM 17.8.749).
2. Nance's Asbeck 15-35 shall be limited to 474.5 million cubic feet (MMCF) of natural gas production during any rolling 12-month time period (ARM 17.8.749).
3. Nance shall control Volatile Organic Compound (VOC) emissions from the well(s) by routing the emissions to a pipeline. Flaring of gas through the emergency flare shall only occur during emergency/non-routine operations (ARM 17.8.752).
4. Nance shall control VOC emissions from the production tanks by routing the emissions to the heater treater. Flaring of gas through the emergency flare shall only occur during emergency/non-routine operations (ARM 17.8.752).
5. Nance shall control VOC emissions from truck loading operations by utilizing submerged loading to transfer the oil from the production tanks to the tanker trucks or by routing the emissions to a pipeline (ARM 17.8.749 and ARM 17.8.752).
6. Nance shall not cause or authorize emissions to be discharged into the outdoor atmosphere from any sources installed after November 23, 1968, that exhibit an opacity of 20% or greater averaged over 6 consecutive minutes (ARM 17.8.304).

7. Nance shall not cause or authorize the use of any street, road, or parking lot without taking reasonable precautions to control emissions of airborne particulate matter (ARM 17.8.308).
8. Nance shall treat all unpaved portions of the haul roads, access roads, parking lots, or general plant area with water and/or chemical dust suppressant as necessary to maintain compliance with the reasonable precautions limitation in Section II.A.7 (ARM 17.8.749).

B. Inspection and Repair Requirements

1. Each calendar month, all fugitive piping components (valves, flanges, pump seals, open-ended lines) shall be inspected for leaks. For purposes of this requirement, detection methods incorporating sight, sound, or smell are acceptable (ARM 17.8.105 and ARM 17.8.749).
2. Nance shall (ARM 17.8.105 and ARM 17.8.749):
  - a. Make a first attempt at repair for any leak not later than 5 calendar days after the leak is detected; and
  - b. Repair any leak as soon as practicable, but no later than 15 calendar days after it is detected, except as provided in Section II.B.3.
3. Delay of repair of equipment, for which a leak has been detected, will be allowed if the repair is technically infeasible without a source shutdown. Such equipment shall be repaired before the end of the first source shutdown after detection of the leak (ARM 17.8.749).

C. Operational Reporting Requirements

1. Nance shall supply the Department of Environmental Quality (Department) with annual production information for all emission points, as required by the Department in the annual emission inventory request. The request will include, but is not limited to, all sources of emissions identified in the emission inventory contained in the permit analysis and sources identified in Section I.A of the permit analysis.

Production information shall be gathered on a calendar-year basis and submitted to the Department by the date required in the emission inventory request. Information shall be in the units required by the Department. This information may be used to calculate operating fees, based on actual emissions from the facility, and/or to verify compliance with permit limitations (ARM 17.8.505).

2. Nance shall notify the Department of any construction or improvement project conducted pursuant to ARM 17.8.745, that would include a change in control equipment, stack height, stack diameter, stack flow, stack gas temperature, source location or fuel specifications, or would result in an increase in source capacity above its permitted operation or the addition of a new emission unit. The notice must be submitted to the Department, in writing, 10 days prior to start up or use of the proposed de minimis change, or as soon as reasonably practicable in the event of an unanticipated circumstance causing the de minimis change, and must include the information requested in ARM 17.8.745(1)(d) (ARM 17.8.745).

3. Nance shall document, by month, the oil production of the facility. By the 25<sup>th</sup> day of each month, Nance shall calculate the oil production of the facility for the previous month. The monthly information will be used to verify compliance with the rolling 12-month limitation in Section II.A.1. The information for each of the previous months shall be submitted along with the annual emission inventory (ARM 17.8.749).
4. Nance shall document, by month, the natural gas production of the facility. By the 25<sup>th</sup> day of each month, Nance shall calculate the natural gas production of the facility for the previous month. The monthly information will be used to verify compliance with the rolling 12-month limitation in Section II.A.2. The information for each of the previous months shall be submitted along with the annual emission inventory (ARM 17.8.749).

#### D. Recordkeeping Requirements

1. A record of each monthly leak inspection required by Section II.B.1 of this permit shall be kept on file with Nance. Inspection records shall include, at a minimum, the following information (ARM 17.8.749):
  - a. Date of inspection;
  - b. Findings (may indicate no leaks discovered or location, nature, and severity of each leak);
  - c. Leak determination method;
  - d. Corrective action (date each leak repaired and reasons for any repair interval in excess of 15 calendar days); and
  - e. Inspector's name and signature.
2. All records compiled in accordance with this permit must be maintained by Nance as a permanent business record for at least 5 years following the date of the measurement, must be available for inspection by the Department, and must be submitted to the Department upon request (ARM 17.8.749).

#### E. Testing Requirements

1. The Department may require testing (ARM 17.8.105).
2. All compliance source tests shall conform to the requirements of the Montana Source Test Protocol and Procedures Manual (ARM 17.8.106).

### SECTION III: General Conditions

- A. Inspection – Nance shall allow the Department's representatives access to the source at all reasonable times for the purpose of making inspections or surveys, collecting samples, obtaining data, auditing any monitoring equipment (CEMS, CERMS) or observing any monitoring or testing, and otherwise conducting all necessary functions related to this permit.

- B. Waiver – The permit and the terms, conditions, and matters stated herein shall be deemed accepted if Nance fails to appeal as indicated below.
- C. Compliance with Statutes and Regulations – Nothing in this permit shall be construed as relieving Nance of the responsibility for complying with any applicable federal or Montana statute, rule, or standard, except as specifically provided in ARM 17.8.740, *et seq.* (ARM 17.8.756).
- D. Enforcement – Violations of limitations, conditions, and requirements contained herein may constitute grounds for permit revocation, penalties, or other enforcement action as specified in Section 75-2-401, *et seq.*, MCA.
- E. Appeals – Any person or persons jointly or severally adversely affected by the Department’s Decision may request, within 15 days after the Department renders its decision, upon affidavit setting forth the grounds therefore, a hearing before the Board of Environmental Review (Board). A hearing shall be held under the provisions of the Montana Administrative Procedures Act. The filing of a request for a hearing does not stay the Department’s Decision, unless the Board issues a stay upon receipt of a petition and a finding that a stay is appropriate under Section 75-2-211(11)(b), MCA. The issuance of a stay on a permit by the Board postpones the effective date of the Department’s Decision until conclusion of the hearing and issuance of a final decision by the Board. If a stay is not issued by the Board, the Department’s Decision on the application is final 16 days after the Department’s Decision is made.
- F. Permit Inspection – As required by ARM 17.8.755, Inspection of Permit, a copy the air quality permit shall be made available for inspection by the Department at the location of the source.
- G. Permit Fee – Pursuant to Section 75-2-220, MCA, as amended by the 1991 Legislature, failure to pay the annual operation fee by Nance may be grounds for revocation of this permit, as required by that section and rules adopted thereunder by the Board.
- H. Construction Commencement – Construction must begin within 3 years of permit issuance and proceed with due diligence until the project is complete or the permit shall be revoked (ARM 17.8.762).

Permit Analysis  
Nance Petroleum Corporation  
Asbeck 15-35  
Permit #3401-00

I. Introduction/Process Description

Nance Petroleum Corporation (Nance) proposed to construct and operate an oil and gas tank facility located in the in the SW¼ of the SE¼ of Section 35, Township 24 North, Range 59 East, in Richland County, Montana. The facility’s office is located at 550 North 31<sup>st</sup> Street, Suite 500 in Billings, Montana. The facility is known as Asbeck 15-35. The facility is designed for a maximum storage capacity of 1,200 barrels (bbl). However, the maximum production rate of the well that supplies the facility is initially expected to be 350 bbl per day. Therefore, emission estimates are based on the maximum capacity of the wells, or 350 bbl per day.

A. Permitted Equipment

The facility consists of the following equipment:

Source	Description	Year Manufactured	Year Installed
Tank 1	400- bbl Production Oil Tank	Unknown	2005
Tank 2	400- bbl Production Oil Tank	Unknown	2005
Tank 3	400- bbl Production Oil Tank	Unknown	2005
Tank 4	400- bbl Production Oil Tank	Unknown	2005
Tank 5	400- bbl Produced Water Tank	Unknown	2005
#1	Produced Gas Flare	Unknown	2005
#2	Heater Treater	Unknown	2005
#3	Truck Loading	Unknown	2005
#4	Fugitive Emissions	Unknown	2005
#5	On-site Vehicle Traffic	Unknown	2005
#6	Electric Recycle Pump	Unknown	2005
#7	Electric Pump Unit	Unknown	2005
#8	Vertical Separator	Unknown	2005
#9	Horizontal Separator	Unknown	2005

B. Source Description

Crude oil from a nearby well is received through tubing from the well and the natural gas from the well is received through the casing. The oil and gas commingle at the surface within the flow line. The oil and gas is sent to the vertical separator, which separates the gas from the liquid hydrocarbons and produced water. All of the gas is then metered and sent to a transmission pipeline. After separation the liquid hydrocarbons are sent through the horizontal separator and heater treater to remove any additional water. The water is then stored in one 400-barrel fiberglass storage tank until the tank is full and then trucked from the site for disposal. The cleaned oil is stored in four 400-bbl welded steel storage tanks on location and then transferred to trucks for delivery to offsite sales points. Tank gas collected from the oil storage tanks is collected and used as fuel for the vertical heater treater. Flaring of gas from the production oil tanks through the emergency flare shall only occur during emergency/non-routine operations.

## II. Applicable Rules and Regulations

The following are partial explanations of some applicable rules and regulations that apply to the facility. The complete rules are stated in the Administrative Rules of Montana (ARM) and are available, upon request, from the Department of Environmental Quality (Department). Upon request, the Department will provide references for location of complete copies of all applicable rules and regulations or copies where appropriate.

### A. ARM 17.8, Subchapter 1 – General Provisions, including but not limited to:

1. ARM 17.8.101 Definitions. This rule includes a list of applicable definitions used in this chapter, unless indicated otherwise in a specific subchapter.
2. ARM 17.8.105 Testing Requirements. Any person or persons responsible for the emission of any air contaminant into the outdoor atmosphere shall, upon written request of the Department, provide the facilities and necessary equipment (including instruments and sensing devices) and shall conduct tests, emission or ambient, for such periods of time as may be necessary using methods approved by the Department.
3. ARM 17.8.106 Source Testing Protocol. The requirements of this rule apply to any emission source testing conducted by the Department, any source or other entity as required by any rule in this chapter, or any permit or order issued pursuant to this chapter, or the provisions of the Clean Air Act of Montana, 75-2-101, *et seq.*, Montana Code Annotated (MCA).

Nance shall comply with the requirements contained in the Montana Source Test Protocol and Procedures Manual, including, but not limited, using the proper test methods and supplying the required reports. A copy of the Montana Source Test Protocol and Procedures Manual is available from the Department upon request.

4. ARM 17.8.110 Malfunctions. (2) The Department must be notified promptly by telephone whenever a malfunction occurs that can be expected to create emissions in excess of any applicable emission limitation or to continue for a period greater than 4 hours.
5. ARM 17.8.111 Circumvention. (1) No person shall cause or permit the installation or use of any device or any means that, without resulting in reduction of the total amount of air contaminant emitted, conceals, or dilutes an emission of air contaminant that would otherwise violate an air pollution control regulation. (2) No equipment that may produce emissions shall be operated or maintained in such a manner as to create a public nuisance.

### B. ARM 17.8, Subchapter 2 – Ambient Air Quality, including, but not limited to the following:

1. ARM 17.8.204 Ambient Air Monitoring
2. ARM 17.8.210 Ambient Air Quality Standards for Sulfur Dioxide
3. ARM 17.8.211 Ambient Air Quality Standards for Nitrogen Dioxide
4. ARM 17.8.212 Ambient Air Quality Standards for Carbon Monoxide
5. ARM 17.8.213 Ambient Air Quality Standard for Ozone
6. ARM 17.8.214 Ambient Air Quality Standard for Hydrogen Sulfide
7. ARM 17.8.220 Ambient Air Quality Standard for Settled Particulate Matter
8. ARM 17.8.221 Ambient Air Quality Standard for Visibility
9. ARM 17.8.222 Ambient Air Quality Standard for Lead
10. ARM 17.8.223 Ambient Air Quality Standard for PM<sub>10</sub>

Nance must maintain compliance with the applicable ambient air quality standards.

C. ARM 17.8, Subchapter 3 – Emission Standards, including, but not limited to:

1. ARM 17.8.304 Visible Air Contaminants. This rule requires that no person may cause or authorize emissions to be discharged into the outdoor atmosphere from any source installed after November 23, 1968, that exhibit an opacity of 20% or greater averaged over 6 consecutive minutes.
2. ARM 17.8.308 Particulate Matter, Airborne. (1) This rule requires an opacity limitation of less than 20% for all fugitive emission sources and that reasonable precautions be taken to control emissions of airborne particulate matter (PM). (2) Under this rule, Nance shall not cause or authorize the use of any street, road, or parking lot without taking reasonable precautions to control emissions of airborne PM.
3. ARM 17.8.309 Particulate Matter, Fuel Burning Equipment. This rule requires that no person shall cause, allow or permit to be discharged into the atmosphere PM caused by the combustion of fuel in excess of the amount determined by this rule.
4. ARM 17.8.310 Particulate Matter, Industrial Process. This rule requires that no person shall cause, allow, or permit to be discharged into the atmosphere PM in excess of the amount set forth in this rule.
5. ARM 17.8.322 Sulfur Oxide Emissions--Sulfur in Fuel. This rule requires that no person shall burn liquid, solid, or gaseous fuel in excess of the amount set forth in this rule.
6. ARM 17.8.324 Hydrocarbon Emissions--Petroleum Products. (3) No person shall load or permit the loading of gasoline into any stationary tank with a capacity of 250 gallons or more from any tank truck or trailer, except through a permanent submerged fill pipe, unless such tank is equipped with a vapor loss control device as described in (1) of this rule.
7. ARM 17.8.340 Standard of Performance for New Stationary Sources and Emission Guidelines for Existing Sources. This rule incorporates, by reference, 40 Code of Federal Regulations (CFR) 60, Standards of Performance for New Stationary Sources (NSPS).

40 CFR 60, Subpart K – Standards of Performance for Storage Vessels for Petroleum Liquids for Which Construction, Reconstruction, or Modification Commenced After June 11, 1973, and Prior to May 19, 1978, does not apply because the facility was constructed after May 19, 1978. In addition, this subpart does not apply to storage vessels of less than 40,000 bbl and none of the tanks at the facility have a capacity greater than 40,000 bbl. Further, this subpart does not apply to storage vessels for petroleum or condensate stored, processed, or treated at production facilities prior to custody transfer.

40 CFR 60 Subpart Ka – Standards of Performance for Volatile Organic Liquid Storage Vessels (Including Petroleum Liquid Storage Vessels) for Which Construction, Reconstruction, or Modification Commenced after May 18, 1978, and prior to July 23, 1984, does not apply because the tanks were constructed after July 23, 1984. In addition, each petroleum liquid storage vessel with a capacity of less than 420,000 gallons used for petroleum or condensate stored, processed, or treated prior to custody transfer is exempt from the requirements of this subpart. The capacity of each of the petroleum liquid storage vessels at the facility has a maximum capacity of 16,800 gallons.

40 CFR 60, Subpart Kb – Standards of Performance for Volatile Organic Liquid Storage Vessels (Including Petroleum Liquid Storage Vessels) for Which Construction, Reconstruction, or Modification Commenced After July 23, 1984, is not applicable to any of the tanks at the facility because this subpart does not apply to vessels with a design capacity less than or equal to 1,589,874 cubic meters (m<sup>3</sup>) used for petroleum or condensate stored, processed, or treated prior to custody transfer. The design capacity of the entire facility is 190.81 m<sup>3</sup>.

8. ARM 17.8.342 Emission Standards for Hazardous Air Pollutants for Source Categories. The source, as defined and applied in 40 CFR 63, shall comply with the requirements of 40 CFR 63, as applicable:

40 CFR 63, Subpart HH - National Emission Standards for Hazardous Air Pollutants From Oil and Natural Gas Production Facilities. Owners or operators of oil and natural gas production facilities, as defined and applied in 40 CFR Part 63, shall comply with the applicable provisions of 40 CFR Part 63, Subpart HH. In order for an oil and natural gas production facility to be subject to 40 CFR Part 63, Subpart HH requirements, certain criteria must be met. First, the facility must be a major source of Hazardous Air Pollutants (HAP) as determined according to paragraphs (a)(1)(i) through (a)(1)(iii) of 40 CFR 63, Subpart HH. Second, a facility that is determined to be major for HAPs must also either process, upgrade, or store hydrocarbon liquids prior to the point of custody transfer, or process, upgrade, or store natural gas prior to the point at which natural gas enters the natural gas transmission and storage source category or is delivered to a final end user. Third, the facility must also contain an affected source as specified in paragraphs (b)(1) through (b)(4) of 40 CFR Part 63, Subpart HH. Finally, if the first three criteria are met, and the exemptions contained in paragraphs (e)(1) and (e)(2) of 40 CFR Part 63, Subpart HH do not apply, the facility is subject to the applicable provisions of 40 CFR Part 63, Subpart HH. Based on the information submitted by Nance, the Asbeck 15-35 Facility is not subject to the provisions of 40 CFR Part 63, Subpart HH because the facility is not a major source of HAPs.

- D. ARM 17.8, Subchapter 5 – Air Quality Permit Application, Operation, and Open Burning Fees, including, but not limited to:
  1. ARM 17.8.504 Air Quality Permit Application Fees. This rule requires that an applicant submit an air quality permit application fee concurrent with the submittal of an air quality permit application. A permit application is incomplete until the proper application fee is paid to the Department. Nance submitted the appropriate permit application fee for the current permit action.
  2. ARM 17.8.505 Air Quality Permit Operation Fees. An annual air quality operation fee must, as a condition of continued operation, be submitted to the Department by each source of air contaminants holding an air quality permit (excluding an open burning permit) issued by the Department. The air quality operation fee is based on the actual or estimated actual amount of air pollutants emitted during the previous calendar year.

An air quality operation fee is separate and distinct from an air quality permit application fee. The annual assessment and collection of the air quality operation fee, described above, shall take place on a calendar-year basis. The Department may insert into any final permit issued after the effective date of these rules, such conditions as may be necessary to require the payment of an air quality operation fee on a calendar-year basis, including provisions that prorate the required fee amount.



- E. ARM 17.8, Subchapter 7 – Permit, Construction, and Operation of Air Contaminant Sources, including, but not limited to:
1. ARM 17.8.740 Definitions. This rule is a list of applicable definitions used in this chapter, unless indicated otherwise in a specific subchapter.
  2. ARM 17.8.743 Montana Air Quality Permits--When Required. This rule requires a person to obtain an air quality permit or permit alteration to construct, alter, or use any air contaminant sources that have the Potential to Emit (PTE) greater than 25 tons per year of any pollutant. The Nance facility has a PTE greater than 25 tons per year of Volatile Organic Compounds (VOC), nitrogen oxides (NO<sub>x</sub>), and carbon monoxide (CO); therefore, an air quality permit is required.
  3. ARM 17.8.744 Montana Air Quality Permits--General Exclusions. This rule identifies the activities that are not subject to the Montana Air Quality Permit program.
  4. ARM 17.8.745 Montana Air Quality Permits--Exclusion for De Minimis Changes. This rule identifies the de minimis changes at permitted facilities that do not require a permit under the Montana Air Quality Permit Program.
  5. ARM 17.8.748 New or Modified Emitting Units--Permit Application Requirements. (1) This rule requires that a permit application be submitted prior to installation, alteration, or use of a source. Nance submitted the required permit application for the current permit action. (7) This rule requires that the applicant notify the public by means of legal publication in a newspaper of general circulation in the area affected by the application for a permit. Nance submitted an affidavit of publication of public notice for the April 6, 2005, issue of the *Sidney Herald*, a newspaper of general circulation in the Town of Sidney in Richland County, as proof of compliance with the public notice requirements.
  6. ARM 17.8.749 Conditions for Issuance or Denial of Permit. This rule requires that the permits issued by the Department must authorize the construction and operation of the facility or emitting unit subject to the conditions in the permit and the requirements of this subchapter. This rule also requires that the permit must contain any conditions necessary to assure compliance with the Federal Clean Air Act (FCAA), the Clean Air Act of Montana, and rules adopted under those acts.
  7. ARM 17.8.752 Emission Control Requirements. This rule requires a source to install the maximum air pollution control capability that is technically practicable and economically feasible, except that Best Available Control Technology (BACT) shall be utilized. The BACT analysis is discussed in Section III of this permit analysis.
  8. ARM 17.8.755 Inspection of Permit. This rule requires that air quality permits shall be made available for inspection by the Department at the location of the source.
  9. ARM 17.8.756 Compliance with Other Requirements. This rule states that nothing in the permit shall be construed as relieving Nance of the responsibility for complying with any applicable federal or Montana statute, rule, or standard, except as specifically provided in ARM 17.8.740, *et seq.*

10. ARM 17.8.759 Review of Permit Applications. This rule describes the Department's responsibilities for processing permit applications and making permit decisions on those permit applications that do not require the preparation of an environmental impact statement.
  11. ARM 17.8.762 Duration of Permit. An air quality permit shall be valid until revoked or modified, as provided in this subchapter, except that a permit issued prior to construction of a new or altered source may contain a condition providing that the permit will expire unless construction is commenced within the time specified in the permit, which in no event may be less than one year after the permit is issued.
  12. ARM 17.8.763 Revocation of Permit. An air quality permit may be revoked upon written request of the permittee, or for violations of any requirement of the Clean Air Act of Montana, rules adopted under the Clean Air Act of Montana, the FCAA, rules adopted under the FCAA, or any applicable requirement contained in the Montana State Implementation Plan (SIP).
  13. ARM 17.8.764 Administrative Amendment to Permit. An air quality permit may be amended for changes in any applicable rules and standards adopted by the Board of Environmental Review (Board) or changed conditions of operation at a source or stack that do not result in an increase of emissions as a result of those changed conditions. The owner or operator of a facility may not increase the facility's emissions beyond permit limits unless the increase meets the criteria in ARM 17.8.745 for a de minimis change not requiring a permit, or unless the owner or operator applies for and receives another permit in accordance with ARM 17.8.748, ARM 17.8.749, ARM 17.8.752, ARM 17.8.755, and ARM 17.8.756, and with all applicable requirements in ARM Title 17, Chapter 8, Subchapters 8, 9, and 10.
  14. ARM 17.8.765 Transfer of Permit. This rule states that an air quality permit may be transferred from one person to another if written notice of Intent to Transfer, including the names of the transferor and the transferee, is sent to the Department.
- F. ARM 17.8, Subchapter 8 – Prevention of Significant Deterioration of Air Quality, including, but not limited to:
1. ARM 17.8.801 Definitions. This rule is a list of applicable definitions used in this subchapter.
  2. ARM 17.8.818 Review of Major Stationary Sources and Major Modifications--Source Applicability and Exemptions. The requirements contained in ARM 17.8.819 through ARM 17.8.827 shall apply to any major stationary source and any major modification, with respect to each pollutant subject to regulation under the FCAA that it would emit, except as this subchapter would otherwise allow.

This facility is not a major stationary source since this facility is not a listed source and the facility's PTE is below 250 tons per year of any pollutant (excluding fugitive emissions).

- G. ARM 17.8, Subchapter 12 – Operating Permit Program Applicability, including, but not limited to:
1. ARM 17.8.1201 Definitions. (23) Major Source under Section 7412 of the FCAA is defined as any source having:
    - a. PTE > 100 tons per year of any pollutant;

- b. PTE > 10 tons per year of any one HAP, PTE > 25 tons per year of a combination of all HAPs, or lesser quantity as the Department may establish by rule; or
  - c. PTE > 70 tons per year of particulate matter with an aerodynamic diameter of 10 microns or less (PM<sub>10</sub>) in a serious PM<sub>10</sub> nonattainment area.
2. ARM 17.8.1204 Air Quality Operating Permit Program. (1) Title V of the FCAA amendments of 1990 requires that all sources, as defined in ARM 17.8.1204(1), obtain a Title V Operating Permit. In reviewing and issuing Air Quality Permit #3401-00 for Nance, the following conclusions were made:
- a. The facility's PTE is less than 100 tons per year for any pollutant.
  - b. The facility's PTE is less than 10 tons per year for any one HAP and less than 25 tons per year for all HAPs.
  - c. This source is not located in a serious PM<sub>10</sub> nonattainment area.
  - d. This facility is not subject to any current NSPS.
  - e. This facility is not subject to any current NESHAP standards.
  - f. This source is not a Title IV affected source, nor a solid waste combustion unit.
  - g. This source is not an EPA designated Title V source.

Based on these facts, the Department determined that Nance will be a minor source of emissions as defined under Title V.

### III. BACT Determination

A BACT determination is required for each new or altered source. Nance shall install on the new or altered source the maximum air pollution control capability that is technically practicable and economically feasible, except that BACT shall be utilized.

VOC is the pollutant emitted in greatest quantity from the Nance facility, as well as from typical oil and gas field processing operations. The majority of VOC emissions from oil and gas field processing operations are typically generated from the wellhead (produced gas), production tanks and truck loading operations. However, the highest VOC contributors at the Nance facility include the heater treater (produced gas is routed through the treater), the production tanks, and truck loading. Routing gas to the Bear Paw gas transmission pipeline has been proposed to control VOC emissions (gas) from the wellhead after it is routed through the vertical separator, which separates gas from the liquid hydrocarbons and produced water received from the wells. In a rare event of an interruption of gas flow to the pipeline (plugging, maintenance, etc.) the gas from the vertical separator is sent to the produced gas flare. The flare pilot is not gas-powered, but has an electronic igniter system that is solar-powered. After separation, the liquid hydrocarbons are sent through the horizontal separator and the heater treater to remove any additional water. The water is then stored in one of the 400-bbl storage tank until it is trucked from the site for disposal. The "cleaned" oil is stored in four 400-bbl welded steel tanks on location and then transferred to trucks for delivery to offsite sales points. Tank gas is collected from the oil tanks and is used as fuel for the heater treater. In the event that the heater treater is off-line the gas collected from the storage tanks will be vented to the flare or the transmission pipeline. No tank gas is vented to the atmosphere.

A. Wellhead/Heater Treater Burner/Production Tanks

Available control techniques to reduce VOC emissions from wellheads, separators, heater treaters, and the production tanks at oil and natural gas field processing operations include flares, incinerators, vapor recovery, internal floating roofs, carbon adsorption, and scrubbers. All of the previously mentioned VOC control technologies have very similar control efficiencies, between 98 and 99% depending on the design of the system. Flares are typically used as the control method for reducing VOC emissions from oil and gas field processing operations. However, in many instances, oil and gas field processing operations install VOC control equipment that typically exceeds BACT requirements. VOC emissions (separated and produced gas) are actually “saleable gas” or product that could be sent to a gas processing plant via pipeline. Therefore, companies occasionally determine that building a system to collect the VOC emissions is an economically viable solution to reducing VOC emissions.

Nance proposed to control VOC emissions from the vertical separator by routing gas to the Bear Paw gas transmission pipeline or with a flare in emergency conditions and to control VOC emissions from the production storage tanks by routing the tank emissions to the heater treater to be burned as fuel. Because all of the control technologies have a maximum control efficiency of 98-99% and because routing produced gas to a pipeline and emergency flares are typically used as the control method for reducing VOC emissions from oil and gas field processing operations, the Department concurs with Nance’s BACT proposal and determined that routing produced gas to a pipeline and emergency flare constitutes BACT for VOC emissions from the wellhead, vertical separator, and heater treater.

B. Truck Loading

Available control techniques to reduce VOC emissions from truck loading operations at oil and natural gas field processing operations include flares, incinerators, carbon adsorption, scrubbers, vapor recovery, vapor balance system, and submerged loading. The control efficiencies of the above mentioned control technologies vary from 58-99%. However, due to the relatively small amount of emissions and the cost of add-on controls, any add-on control would be considered cost prohibitive. Therefore, Nance proposed to utilize submerged loading to minimize VOC emissions from truck loading operations. Because the relatively small amount of emissions would make add-on control technology cost prohibitive and would make any additional energy and/or environmental impacts that would be realized by additional control technologies negligible, the Department concurs with Nance’s proposal and determined that utilizing submerged loading constitutes BACT for emissions from truck loading operations. Since a pipeline to transport the saleable gas to a gas plant exists, the BACT requirement contained in Section II.A.5 of Permit #3401-00 includes the option of routing the emissions from truck loading operations to a pipeline to prevent Nance from the need to submit a permit application to change control equipment that will nearly negate VOC emissions from the facility. Vapor recovery to a pipeline is not typically considered BACT for crude oil field production facilities and the cost per ton of pollutant controlled would be above industry norm.

The control options selected as part of this review have controls and control costs that are comparable to other recently permitted similar sources. The control options that were selected are capable of achieving the appropriate emission standards.

#### IV. Emission Inventory

Source I.D.#	Source	Tons/Year					
		PM	NO <sub>x</sub>	CO	VOC	HAPs	SO <sub>x</sub>
#1	Produced Gas Flare		39.62	79.09	72.50	2.56	
#2	Heater Treater		0.05	0.05			
#3	Truck Loading				2.59	0.33	
#4	Fugitive Emissions				1.72		
#5	On-site Vehicle Traffic	0.27					
<b>Totals</b>		<b>0.27</b>	<b>39.67</b>	<b>79.14</b>	<b>76.81</b>	<b>2.89</b>	<b>0.00</b>

\*The facility is designed for a maximum capacity of 1,200-barrels. However, the maximum production rate of the well that supplies the facility is initially expected to be 350 bbl per day with a rapid decline from initial production. Therefore, emission estimates are based on 350 bbl per day.

#### Produced Gas Flare

Fuel Gas Heating Value: 1,208 Btu/Scf  
 Fuel Gas Usage: 54,259.67 Scf/hr (Includes Tank Emissions)  
 Control Efficiency: 98%

#### NO<sub>x</sub> Emissions

Emission Factor: 0.1380 lb/MMBtu (CMA Flare Study)  
 Calculations: 54,259.67 Scf/hr \* 1,208 Btu/Scf \* 0.1380 lb/MMBtu = 9.05 lb/hr  
 9.05 lb/hr \* 8,760 hr/yr \* 0.0005 ton/lb = 39.62 ton/yr

#### CO Emissions

Emission Factor: 0.2755 lb/MMBtu (CMA Flare Study)  
 Calculations: 54,259.67 Scf/hr \* 1,208 Btu/Scf \* 0.2755 lb/MMBtu = 18.06 lb/hr  
 3.74 lb/hr \* 8760 hr/yr \* 0.0005 ton/lb = 79.09 ton/yr

#### VOC Emissions

Calculations: 54,259.67 Scf/hr \* 1/379 Scf/lb-mole \* 22.67 MW (lb/lb-mole) \* 0.255 VOC frac = 827.62 lb/hr  
 827.62 lb/hr \* 8760 hr/yr \* 0.0005 ton/lb \* (1.0-0.98) = 72.50 ton/yr

#### HAP Emissions

Calculations: 54,259.67 Scf/hr \* 1/379 Scf/lb-mole \* 22.67 MW (lb/lb-mole) \* 0.009 VOC frac = 29.21 lb/hr  
 29.21 lb/hr \* 8760 hr/yr \* 0.0005 ton/lb \* (1.0-0.98) = 2.56 ton/yr

#### Heater Treater Burner

Fuel Heating Value: 1,324 MMBtu/MMScf (Company Information)  
 AP-42 Fuel Heating Value: 1,020 MMBtu/MMScf  
 Actual Volume Processed: 127,750 bbl/yr (Permit Limit)  
 Actual Fuel Consumption: 97,500 Btu/hr (Heat Basis)  
 Actual Fuel Consumption: 0.82 MMscf/yr (Volume Basis)

#### PM Emissions (PM emissions include PM<sub>10</sub> and PM<sub>2.5</sub>):

Emission Factor: 7.6 lb/MMScf (AP-42, Chapter 1, Table 1.4-2, 7/98)  
 Calculations: 0.82 MMscf/yr \* (7.6 lb/MMscf) \* ((1,324 Btu/scf/1,020 Btu/scf) \* (1 ton/2000 lb)) = 0.004 ton/yr

#### NO<sub>x</sub> Emissions:

Emission Factor: 100 lb/MMScf (AP-42, Chapter 1, Table 1.4-1, 7/98)  
 Calculations: 0.82 MMscf/yr \* (100 lb/MMscf) \* ((1,324 Btu/scf/1,020 Btu/scf) \* (1 ton/2000 lb)) = 0.05 ton/yr

#### CO Emissions:

Emission Factor: 84 lb/MMScf (AP-42, Chapter 1, Table 1.4-1, 7/98)  
 Calculations: 0.82 MMscf/yr \* (84 lb/MMscf) \* ((1,324 Btu/scf/1,020 Btu/scf) \* (1 ton/2000 lb)) = 0.05 ton/yr

VOC Emissions:

Emission Factor: 5.5 lb/MMScf (AP-42, Chapter 1, Table 1.4-2, 7/98)  
Calculations: 0.82 MMscf/yr \* (5.5 lb/MMscf) \* ((1,324 Btu/scf/1,020 Btu/scf) \* (1 ton/2000 lb)) = 0.003 ton/yr

SO<sub>2</sub> Emissions:

Emission Factor: 0.6 lb/MMScf (AP-42, Chapter 1, Table 1.4-1, 7/98)  
Calculations: 0.82 MMscf/yr \* (0.6 lb/MMscf) \* ((1,324 Btu/scf/1,020 Btu/scf) \* (1 ton/2000 lb)) = 0.000 ton/yr

**Truck Loading (TL)**

VOC Emissions

Production = 127,750 bbl/yr \* 42 gal/bbl \* 1 yr/8,760 hr = 612.5 gal/hr (maximum capacity of well)

L<sub>L</sub> = 12.46 \* SPM/T (AP-42, Chapter 5, equation 1, page 5.2-4, 1/95)

Where:

L<sub>L</sub> = loading loss, lb/10<sup>3</sup> gallons of liquid loaded  
S = Saturation Factor from Table 5.2-1 = 0.60  
P = true vapor pressure of liquid loaded (psia) from Table 7.1-2 = 2.3  
M = molecular weight of vapors (lb/lb/mole) = 40.33  
T = temperature of bulk liquid loaded in °R (°F + 460) = 510

L<sub>L</sub> = 12.46 \* 0.60 \* 2.3 \* 40.33 / 510 = 1.36 lb/1,000 gal TOC

L<sub>L</sub>VOC = 1.36 lb/1,000 gal \* (612.5 gal/hr) \* (0.7102 lb VOC / lb TOC) \* (8,760 hr/yr) \* (0.0005 ton/lb) = 2.59 ton/yr

L<sub>L</sub>HAP = 1.36 lb/1,000 gal \* (612.5 gal/hr) \* (0.0911 lb VOC / lb TOC) \* (8,760 hr/yr) \* (0.0005 ton/lb) = 0.33 ton/yr

**Fugitive Emissions – Piping (12-FE)**

VOC Emissions

Emission Factors from: Equipment Leak Factor for Oil and Gas Production Operations; American Petroleum Institute; TNRCC Memorandum 1/3/96

Oil & Gas

VOC Weight Fraction: 0.7102 (Company Estimate)

Valves: 46 valves (Company Information)  
Emission Factor: 0.00992 lb/hr - valve  
Calculation: 46 valves \* 0.00992 lb/hr-valve \* 0.7102 \* 8,760 hr/yr \* 0.0005 ton/lb = 1.42 ton/yr

Flanges: 21 flanges (Company Information)  
Emission Factor: 0.00086 lb/hr - flange  
Calculation: 21 flanges \* 0.00086 lb/hr-flange \* 0.7102 \* 8,760 hr/yr \* 0.0005 ton/lb = 0.06 ton/yr

Pump Seals: 1 pump seals (Company Information)  
Emission Factor: 0.00529 lb/hr – pump seal  
Calculation: 1 pump seals \* 0.00529 lb/hr-pump seal \* 0.7102 \* 8,760 hr/yr \* 0.0005 ton/lb = 0.01 ton/yr

Connectors: 146 connectors (Company Information)  
Emission Factor: 0.00046 lb/hr – connectors  
Calculation: 146 connectors \* 0.00046 lb/hr-connector \* 0.7102 \* 8,760 hr/yr \* 0.0005 ton/lb = 0.22 ton/yr

Open ended lines: 1 open ended line (Company Information)  
Emission Factor: 0.0031 lb/hr – open ended line  
Calculation: 1 open ended line \* 0.0031 lb/hr-connector \* 0.7102 \* 8,760 hr/yr \* 0.0005 ton/lb = 0.01 ton/yr

Total fugitive emissions – piping = 1.42 ton/yr + 0.06 ton/yr + 0.01 ton/yr + 0.22 ton/yr + 0.01 ton/yr = 1.72 ton/yr

## Haul Roads (0.25 VMT/Day)

### PM Emissions

Emission Factor: 6.0 lb/VMT

Daily Calculations:  $0.25 \text{ VMT/Day} * (6.0 \text{ lb/VMT}) = 1.5 \text{ lb/day}$

Annual Calculations:  $1.5 \text{ lb/day} * (365 \text{ day/yr}) * (0.0005 \text{ lb/ton}) = 0.27 \text{ TPY}$

### PM<sub>10</sub> Emissions

Emission Factor: 2.70 lb/VMT

Daily Calculations:  $0.25 \text{ VMT/Day} * (2.70 \text{ lb/VMT}) = 0.68 \text{ lb/day}$

Annual Calculations:  $0.68 \text{ lb/day} * (365 \text{ day/yr}) * (0.0005 \text{ lb/ton}) = 0.12 \text{ TPY}$

## V. Existing Air Quality

The Nance facility is located in eastern Montana in a sparsely populated area with generally very good ventilation throughout the year. The legal description of the facility is the NW<sup>1</sup>/<sub>4</sub> of the NE<sup>1</sup>/<sub>4</sub> of Section 22, Township 25 North, Range 53 East, in Richland County, Montana. Richland County is unclassifiable/attainment for the National Ambient Air Quality Standards (NAAQS) for all criteria pollutants.

## VI. Ambient Air Impact Analysis

The Department determined that any air impacts from the Nance facility will be minor. The Department believes it will not cause or contribute to a violation of any ambient air quality standard.

## VII. Taking or Damaging Implication Analysis

As required by 2-10-105, MCA, the Department conducted a private property taking and damaging assessment and determined there are no taking or damaging implications.

## VIII. Environmental Assessment

An environmental assessment, required by the Montana Environmental Policy Act, was completed for this project. A copy is attached.

**DEPARTMENT OF ENVIRONMENTAL QUALITY**  
**Permitting and Compliance Division**  
**Air Resources Management Bureau**  
**P.O. Box 200901, Helena, MT 59620**  
**(406) 444-3490**

**FINAL ENVIRONMENTAL ASSESSMENT (EA)**

*Issued To:* Nance Petroleum Corporation  
Asbeck 15-35  
550 North 31<sup>st</sup> Street, Suite 500  
Billings, MT 59101

*Air Quality Permit Number:* 3401-00

*Preliminary Determination Issued:* May 2, 2005

*Department Decision Issued:* May 18, 2005

*Permit Final:* June 3, 2005

1. *Legal Description of Site:* Nance's Asbeck 15-35 Facility would be located in the in the SW<sup>1</sup>/<sub>4</sub> of the SE<sup>1</sup>/<sub>4</sub> of Section 35, Township 24 North, Range 59 East, in Richland County, Montana. The facility's office is located at 550 North 31<sup>st</sup> Street, Suite 500 in Billings, Montana.
2. *Description of Project:* Nance proposed to construct and operate a crude oil tank battery facility. The maximum capacity of the well to supply the facility is estimated to be 350 bbl/day. The facility would consist of four production oil tanks, one produced water tank, a heater treater burner, a vertical and a horizontal separator, and a produced gas flare.
3. *Objectives of Project:* The proposed project would generate business and revenue for the company by allowing them to extract crude oil and natural gas from the oil field and transport the oil to sale destinations.
4. *Alternatives Considered:* In addition to the proposed action, the Department also considered the "no-action" alternative. The "no-action" alternative would deny issuance of the Montana Air Quality Permit to the proposed facility. However, the Department does not consider the "no-action" alternative to be appropriate because Nance demonstrated compliance with all applicable rules and regulations as required for permit issuance. Therefore, the "no-action" alternative was eliminated from further consideration.
5. *A Listing of Mitigation, Stipulations, and Other Controls:* A list of enforceable conditions, including a BACT analysis, would be included in Permit #3401-00.
6. *Regulatory Effects on Private Property:* The Department considered alternatives to the conditions imposed in this permit as part of the permit development. The Department determined that the permit conditions would be reasonably necessary to ensure compliance with applicable requirements and demonstrate compliance with those requirements and would not unduly restrict private property rights.



7. The following table summarizes the potential physical and biological effects of the proposed project on the human environment. The “no-action” alternative was discussed previously.

		Major	Moderate	Minor	None	Unknown	Comments Included
A	Terrestrial and Aquatic Life and Habitats			X			Yes
B	Water Quality, Quantity, and Distribution			X			Yes
C	Geology and Soil Quality, Stability and Moisture			X			Yes
D	Vegetation Cover, Quantity, and Quality			X			Yes
E	Aesthetics			X			Yes
F	Air Quality			X			Yes
G	Unique Endangered, Fragile, or Limited Environmental Resources			X			Yes
H	Demands on Environmental Resource of Water, Air, and Energy			X			Yes
I	Historical and Archaeological Sites			X			Yes
J	Cumulative and Secondary Impacts			X			Yes

SUMMARY OF COMMENTS ON POTENTIAL PHYSICAL AND BIOLOGICAL EFFECTS: The following comments have been prepared by the Department.

A. Terrestrial and Aquatic Life and Habitats

Minor impacts on terrestrial or aquatic life and habitats would be expected from the proposed project because the facility would be a source of air pollutants and minor amounts of land disturbance would be required to construct the facility. While the facility would emit air pollutants and corresponding deposition of pollutants would occur, the Department determined that any impacts from deposition would be minor due to the relatively small amount of pollutants emitted, dispersion characteristics of the pollutants and the atmosphere (see Section 7.F of this EA), and conditions that would be placed in Permit #3401-00. In addition, minor land disturbance would occur to construct the facility, such as leveling the ground to hold the tanks. Any impacts from facility construction would be minor due to the relatively small size of the project. Overall, any impacts to terrestrial and aquatic life and habitats would be minor.

B. Water Quality, Quantity, and Distribution

Minor, if any, impacts would be expected on water quality, quantity, and distribution from the proposed project because of the relatively small size of the project. While the facility would emit air pollutants and corresponding deposition of pollutants would occur, the Department determined that any impacts from deposition would be minor due to the relatively small amount of pollutants emitted, dispersion characteristics of the pollutants and the atmosphere (see Section 7.F of this EA), and conditions that would be placed in Permit #3401-00. In addition, facility construction would not impact water quality, quantity, or distribution because there is no surface water at or near the site and only minor amounts of construction would be required to construct the facility, such as leveling the ground to hold the tanks. Overall, any impacts to water quality, quantity, and distribution would be minor.

### C. Geology and Soil Quality, Stability, and Moisture

Minor impacts would occur on the geology and soil quality, stability, and moisture from the proposed project because minor construction would be required to complete the project. Any impacts to the geology and soil quality, stability, and moisture from facility construction would be minor due to the relatively small size of the project. Typical facility construction would include the pouring of concrete slabs to hold the tanks. In addition, while deposition of pollutants would occur, the Department determined that the chance of deposition of pollutants impacting the geology and soil in the areas surrounding the site would be minor due to the relatively small amount of pollutants emitted and the dispersion characteristics of the pollutants and the atmosphere (see Section 7.F of this EA). The conditions that would be placed in Permit #3401-00 would also minimize impacts to geology and soil by limiting the amount of equipment that would be installed at the facility and limiting the emissions from the facility. Overall, any impacts to the geology and soil quality, stability, and moisture would be minor.

### D. Vegetation Cover, Quantity, and Quality

Minor impacts would occur on vegetation cover, quantity, and quality because minor construction would be required to complete the project. Any impacts to the vegetation cover, quantity, and quality from facility construction would be minor due to the relatively small size of the project. Typical facility construction would include leveling the ground to hold the tanks. In addition, while deposition of pollutants would occur, the Department determined that the chance of deposition of pollutants impacting the vegetation in the areas surrounding the site would be minor due to the relatively small amount of pollutants emitted and dispersion characteristics of the pollutants and the atmosphere (see Section 7.F of this EA). The conditions that would be placed in Permit #3401-00 would also minimize the impacts to vegetation by limiting the amount of equipment that would be installed at the facility and limiting the emissions from the facility. Overall, any impacts to vegetation cover, quantity, and quality would be minor.

### E. Aesthetics

Minor impacts would result on the aesthetics of the area because the facility would be a new facility. Production tanks would be constructed to house the crude oil that would be received from the wells. The flare would also be visible. The facility would create minimal additional noise in the area. Overall, any aesthetic impacts would be minor due to the relatively small size of the facility and the permit conditions that would minimize emissions from the facility.

### F. Air Quality

The air quality of the area would realize minor impacts from the proposed project because the facility would emit very small amounts of PM, PM<sub>10</sub>, HAPs, NO<sub>x</sub>, CO, and VOC. Air emissions from the facility would be minimized by conditions that would be placed in Permit #3401-00. Conditions would include, but would not be limited to, a barrel per year production limit, facility-wide opacity limitations, and requirements to control VOC emissions from the wellhead/heater treater, the production tanks, and from truck loading operations. Permit #3401-00 would also include conditions requiring Nance to use reasonable precautions to control fugitive dust emissions, as well as requiring inspection and repair requirements for fugitive VOC emissions.

While deposition of pollutants would occur as a result of operating the facility, the Department determined that any air quality impacts from deposition of pollutants would be minor due to dispersion characteristics of pollutants (stack height, stack temperature, etc.) and the atmosphere (wind speed, wind direction, ambient temperature, etc.), conditions that would be placed in Permit #3401-00, and the relatively small amount of emissions that would be generated.

G. Unique Endangered, Fragile, or Limited Environmental Resources

In an effort to identify any unique endangered, fragile, or limited environmental resources in the area, the Department contacted the Montana Natural Heritage Program, Natural Resource Information System (NRIS). The NRIS search did not identify any species of special concern in the vicinity of the project area. In this case, the area was defined by the section, township, and range of the proposed location with an additional 1-mile buffer zone. Due to the minor amounts of construction that would be required, the relatively low levels of pollutants that would be emitted, dispersion characteristics of pollutants and the atmosphere, conditions that would be placed in Permit #3401-00, and because the NRIS search did not identify any species of special concern in the vicinity of the project area, the Department determined that the chance of the project impacting any species of special concern would be minor.

H. Demands on Environmental Resource of Water, Air, and Energy

The proposed project would have impacts on the demands on the environmental resources of air and water because the facility would be a source of air pollutants. However, any impacts on the environmental resources of air and water would be minor because the facility's potential to emit would be relatively small by industrial standards. While deposition of pollutants would occur, as explained in Sections 7.B and 7.F of this EA, the Department determined that the chance of the proposed project impacting demands on air and water resources would be minor due to dispersion characteristics of pollutants and the atmosphere and conditions that would be placed in Permit #3401-00.

The proposed project would have minor impacts on the demand on the environmental resource of energy because only small energy consuming equipment is proposed for use as part of the project. The non-renewable resource of crude oil and natural gas would have minor impacts because the facility would extract commingled crude oil/natural gas. Overall, any impacts on the demands on the environmental resources of air, water, and energy would be minor.

I. Historical and Archaeological Sites

In an effort to identify any historical and archaeological sites near the proposed project area, the Department contacted the Montana Historical Society, State Historic Preservation Office (SHPO). According to SHPO records, there have not been any previously recorded historic or archaeological sites within the proposed area. In addition, SHPO records indicated that no previous cultural resource inventories have been conducted in the area. SHPO recommended that a cultural resource inventory be conducted to determine if cultural or historic sites exist and if they would be impacted. However, neither the Department nor SHPO has the authority to require Nance to conduct a cultural resource inventory. The Department determined that due to the previous disturbance in the area (the area is an active crude oil field) and the small amount of land disturbance that would be required to construct the facility, the chance of the project impacting any cultural or historic sites would be minor.

J. Cumulative and Secondary Impacts

Overall, the cumulative and secondary impacts on the physical and biological aspects of the human environment in the immediate area would be minor due to the relatively small size of the project. Potential emissions from the facility would be relatively small by industrial standards. The Department believes that this facility could be expected to operate in compliance with all applicable rules and regulations as would be outlined in Permit #3401-00. Additional cumulative impacts may result because Nance is actively drilling in the oil field and would likely continue to apply for more air quality permits for additional facilities. However, impacts from additional facilities that require air quality permits would be evaluated upon the Department’s review of any future permit applications. Further, additional cumulative impacts may result from Nance’s intentions to construct a pipeline to route gas to a gas plant for processing. However, any impacts from constructing a pipeline would be minor because pipelines are typically buried in the ground and surface conditions typically return to prior condition within a relatively short period of time.

8. The following table summarizes the potential economic and social effects of the proposed project on the human environment. The “no-action” alternative was discussed previously.

		Major	Moderate	Minor	None	Unknown	Comments Included
A	Social Structures and Mores				X		Yes
B	Cultural Uniqueness and Diversity				X		Yes
C	Local and State Tax Base and Tax Revenue			X			Yes
D	Agricultural or Industrial Production			X			Yes
E	Human Health			X			Yes
F	Access to and Quality of Recreational and Wilderness Activities			X			Yes
G	Quantity and Distribution of Employment			X			Yes
H	Distribution of Population				X		Yes
I	Demands for Government Services			X			Yes
J	Industrial and Commercial Activity			X			Yes
K	Locally Adopted Environmental Plans and Goals				X		Yes
L	Cumulative and Secondary Impacts			X			Yes

SUMMARY OF COMMENTS ON POTENTIAL ECONOMIC AND SOCIAL EFFECTS: The following comments have been prepared by the Department.

A. Social Structures and Mores

The proposed project would not cause a disruption to any native or traditional lifestyles or communities (social structures or mores) in the area because the proposed project would take place in a remote location in which oil and gas exploration and extraction activities are present. The proposed project would not change the predominant use of the surrounding area and the facility would be relatively small by industrial standards.

## B. Cultural Uniqueness and Diversity

The cultural uniqueness and diversity of the area would remain unchanged from the proposed project (no impact) because the proposed project would take place in a remote location in which oil and gas exploration and extraction activities are present. The proposed project would not change the predominant use of the surrounding area and the facility would be relatively small by industrial standards.

## C. Local and State Tax Base and Tax Revenue

The proposed project would result in minor, if any, impacts to the local and state tax base and tax revenue because the proposed project would not require new permanent employees to be hired. In addition, only minor amounts of construction would be needed to complete the project.

## D. Agricultural or Industrial Production

The current land use of the proposed location is agricultural; therefore, the proposed project would result in minor impacts to agricultural production from constructing the relatively small facility. The proposed project would not have any impacts to industrial production because the proposed project would not displace any industrial land. However, oil and gas operations, including drilling, are currently present in the area. While air emissions would occur, as Section 7.F of this EA explains, the Department determined that the chance of deposition of pollutants impacting agricultural or industrial production in the area surrounding the site would be minor due to dispersion characteristics of pollutants and the atmosphere, and due to conditions that would be placed in Permit #3401-00. Overall, any impacts to agricultural or industrial production would be minor.

## E. Human Health

The proposed project would result in only minor, if any, impacts to human health because of the relatively small quantity of potential emissions. As explained in Section 7.F of this EA, deposition of pollutants would occur. However, the Department determined that the proposed project, permitted by Permit #3401-00, would comply with all applicable air quality rules, regulations, and standards. These rules, regulations, and standards are designed to be protective of human health.

## F. Access to and Quality of Recreational and Wilderness Activities

The proposed project would not have any impacts on access to recreational and wilderness activities because of the relatively small size of the facility. The proposed project would have minor, if any, impacts on the quality of recreational and wilderness activities in the area because the facility, while relatively small by industrial standards, would be visible. Overall, any impacts on access to and quality of recreational and wilderness activities would be minor.

## G. Quantity and Distribution of Employment

The proposed project would not affect the quantity and distribution of employment because no permanent employees would be hired as a result of the proposed project. However, temporary construction-related positions could result from this project. Any impacts to the quantity and distribution of employment would be minor due to the relatively small size of the facility.

#### H. Distribution of Population

The proposed project would not affect distribution of population in the area because the facility would be located in a relatively remote location. The proposed project would not create any new permanent employment that would cause an increase in population in the area. In addition, the proposed project would not have impacts that would cause a decrease in the distribution of population in the surrounding area because the facility would be relatively small by industrial standards and the facility would only emit relatively small amounts of emissions.

#### I. Demands for Government Services

There would be minor impacts on demands of government services because additional time would be required by government agencies to issue Permit #3401-00 and to monitor compliance with applicable rules, standards, and Permit #3401-00. In addition, the roads in the area may realize a minor increase in vehicle traffic because tanker trucks would be used to unload the oil from the production tanks and Permit #3401-00 would require monthly inspections to be conducted by the company. However, any impacts on government services to regulate the minor increase in traffic would be minor due to the overall small size of the operation. Overall, any impacts on the demands for government services would be minor.

#### J. Industrial and Commercial Activity

Only minor impacts would be expected on the local industrial and commercial activity because the proposed project would represent only a minor increase in the industrial and commercial activity in the area. However, as crude oil wells in the area continue to produce crude oil, additional crude oil tank batteries would locate in the area thereby increasing the industrial and commercial activity. However, any new crude oil tank batteries with a PTE greater than 25 tons per year of any regulated air pollutant would be required to obtain a Montana Air Quality Permit and the Department would perform an EA for each permit application, evaluating impacts to industrial and commercial activity for each proposed project.

#### K. Locally Adopted Environmental Plans and Goals

The Department is not aware of any locally adopted environmental plans and goals that would be affected by issuing Permit #3401-00. The state standards would protect the proposed site and the environment surrounding the site.

#### L. Cumulative and Secondary Impacts

Overall, cumulative and secondary impacts from the proposed project would result in minor impacts to the economic and social aspects of the human environment in the immediate area due to the relatively small size of the facility. Due to the relatively small size of the project, the industrial production, employment, and tax revenue (etc.) would not be significantly impacted by the proposed project. The Department would not expect other industries to be impacted by the proposed project and the Department believes that this facility could be expected to operate in compliance with all applicable rules and regulations as would be outlined in Permit #3401-00. In addition, further cumulative impacts may result because Nance is actively drilling in the oil field and would likely continue to apply for more air quality permits for additional facilities. However, impacts from additional facilities that require air quality permits would be evaluated upon the Department's review of any future permit applications.

Recommendation: No EIS is required.

If an EIS is not required, explain why the EA is an appropriate level of analysis: The current permitting action is for the construction and operation of a crude oil tank battery facility. Permit #3401-00 would include conditions and limitations to ensure the facility would operate in compliance with all applicable rules and regulations. In addition, there are no significant impacts associated with this proposal.

Other groups or agencies contacted or which may have overlapping jurisdiction: Montana Historical Society – State Historic Preservation Office, Natural Resource Information System – Montana Natural Heritage Program

Individuals or groups contributing to this EA: Department of Environmental Quality – Air Resources Management Bureau, Montana Historical Society – State Historic Preservation Office, Natural Resource Information System – Montana Natural Heritage Program

EA prepared by: Chris Ames  
Date: April 28, 2005