

AIR QUALITY PERMIT

Issued To: Encore Operating, LP
Steinbeisser 34-22H Battery
777 Main Street, Suite 1400
Fort Worth, TX 76102

Permit: #3418-02
Administrative Amendment (AA)
Request Received: 04/16/07
Department Decision on AA: 08/17/07
Permit Final: 09/05/07
AFS #: 083-0060

A Montana Air Quality Permit (MAQP), with conditions, is hereby granted to Encore Operating, LP (Encore), pursuant to Sections 75-2-204 and 211 of the Montana Code Annotated (MCA), as amended, and Administrative Rules of Montana (ARM) 17.8.740, *et seq.*, as amended, for the following:

SECTION I: Permitted Facilities

A. Plant Location

Encore owns and operates an oil and gas production tank facility known as the Steinbeisser 34-22H Battery. The facility is located in the SW¹/₄ of the SE¹/₄ of Section 22, Township 23 North, Range 57 East, in Richland County, Montana. A complete list of the permitted equipment is contained in Section I.A of the Permit Analysis.

B. Current Permit Action

On April 12, 2007, and April 16, 2007, the Montana Department of Environmental Quality – Air Resources Management Bureau (Department) received written notification from Encore and Kerr-McGee Oil & Gas Onshore LP (Kerr-McGee), respectively, informing the Department of Kerr-McGee's intent to transfer MAQP #3418-01 from Kerr-McGee to Encore. The current permit action transfers the MAQP from Kerr-McGee to Encore. In addition, the MAQP format was updated to reflect the current MAQP format used by the Department.

SECTION II: Conditions and Limitations

A. Emission Limitations

1. Encore shall be limited to 127,750 barrels (bbl) of oil production during any rolling 12-month time period (ARM 17.8.749).
2. Encore shall be limited to 54.75 million cubic feet (MMCF) of natural gas production during any rolling 12-month time period (ARM 17.8.749).
3. Encore shall control Volatile Organic Compound (VOC) emissions from the heater treater by routing the emissions (separated gas) to a pipeline. During emergencies or facility upsets, the emissions shall be routed to a flare (ARM 17.8.752).
4. Encore shall control VOC emissions from the production tanks by routing the emissions to a flare (ARM 17.8.752).
5. Encore shall control VOC emissions from truck loading operations by utilizing submerged loading to transfer the oil from the production tanks to the tanker trucks (ARM 17.8.752).

6. Encore 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. Encore 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. Encore 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 precaution 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. Encore 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. Encore shall supply the 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.

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. Encore 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. Encore shall document, by month, the oil production of the facility. By the 25th day of each month, Encore 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. Encore shall document, by month, the natural gas production of the facility. By the 25th day of each month, Encore 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 MAQP shall be kept on file with Encore. 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 MAQP must be maintained by Encore 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 – Encore 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 MAQP.
- B. Waiver – The MAQP and the terms, conditions, and matters stated herein shall be deemed accepted if Encore fails to appeal as indicated below.

- C. Compliance with Statutes and Regulations – Nothing in this MAQP shall be construed as relieving Encore 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 MAQP 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 an MAQP 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 of the MAQP 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 Encore may be grounds for revocation of this MAQP, as required by that section and rules adopted thereunder by the Board.

Permit Analysis
 Encore Operating, LP
 Steinbeisser 34-22H Battery
 Permit #3418-02

I. Introduction/Process Description

Encore Operating, LP (Encore) owns and operates an oil and gas tank battery facility located in the SW¼ of the SE¼ of Section 22, Township 23 North, Range 57 East, in Richland County, Montana. The facility is known as Steinbeisser 34-22H Battery. The facility receives oil and gas from the Steinbeisser 34-22H Battery well. The facility is designed for a maximum storage capacity of 1,600 barrels (bbl) of oil. However, the well that supplies the facility was producing at a rate of 350 bbl of oil per day upon initial Montana Air Quality Permit (MAQP) issuance. Because oil and gas wells experience a rapid decline from initial production, emission estimates are based on the maximum capacity of the well (the rate that the well was producing), or 350 bbl per day.

A. Permitted Equipment

The facility consists of the following equipment:

| Source | Description | Associated Well |
|--------|--------------------------------------|-----------------------------|
| OT-1 | Connors 400-bbl Production Oil Tank | Steinbeisser 34-22H Battery |
| OT-2 | Connors 400-bbl Production Oil Tank | Steinbeisser 34-22H Battery |
| OT-3 | Connors 400-bbl Production Oil Tank | Steinbeisser 34-22H Battery |
| OT-4 | Connors 400-bbl Production Oil Tank | Steinbeisser 34-22H Battery |
| WT | Connors 400 bbl Produced Water Tank | Steinbeisser 34-22H Battery |
| F | Custom Vertical Gas Flare | Steinbeisser 34-22H Battery |
| HT | Connors Heater Treater (500 MBtu/hr) | Steinbeisser 34-22H Battery |

B. Source Description

The Steinbeisser 34-22H Battery well supplies the facility with a commingled hydrocarbon liquid stream that contains natural gas, oil, and produced water. The commingled liquid stream is received through the wellhead and routed to the 500,000-British thermal unit per hour (Btu/hr) Connors Heater Treater. The heater treater separates oil, gas, and water. The resulting oil is sent to the four 400-bbl storage tanks, where the oil is stored until it is eventually trucked off-site to sales destinations. The tank vapors from the crude oil storage tanks are routed to the custom vertical gas flare. In addition, any hydrocarbon vapor emissions that may occur during an upset condition are also sent to the custom vertical gas flare. The resulting gas stream from the well is routed to a sales pipeline. Produced water from the well is routed to the 400-bbl produced water tank, which is eventually trucked off-site to an appropriate treatment facility.

C. Permit History

On December 23, 2005, the Department of Environmental Quality – Air Resources Management Bureau (Department) issued Westport Oil & Gas (Westport) **MAQP #3418-00** for the construction and operation of an oil & gas tank battery facility, known as the Steinbeisser 34-22H. The facility receives oil and gas from the Steinbeisser 34-22H Battery well and is designed for a maximum storage capacity of 1,600 bbl of oil.

On February 21, 2006, the Department received a request from Westport Oil and Gas Company (Westport) for a company name change via administrative amendment from Westport to Kerr-McGee Oil & Gas Onshore, LP (Kerr-McGee). This permitting action changed the company name as requested. On May 18, 2006, **MAQP #3418-01** replaced MAQP #3418-00.

D. Current Permit Action

On April 12, 2007, and April 16, 2007, the Department received written notification from Encore and Kerr-McGee, respectively, informing the Department of Kerr-McGee's intent to transfer MAQP #3418-01 from Kerr-McGee to Encore. The current permit action transfers the MAQP from Kerr-McGee to Encore. In addition, the MAQP format was updated to reflect the current MAQP format used by the Department. **MAQP #3418-02** replaces MAQP #3418-01.

E. Additional Information

Additional information, such as applicable rules and regulations, Best Available Control Technology (BACT)/Reasonably Available Control Technology (RACT) determinations, air quality impacts, and environmental assessments, is included in the analysis associated with each change to the MAQP.

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. 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 MAQP 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).

Encore shall comply with the requirements contained in the Montana Source Test Protocol and Procedures Manual, including, but not limited to, 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 PM₁₀

Encore 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. (2) Under this rule, Encore 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.
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 particulate matter 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 particulate matter 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 CFR Part 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 (m³) used for petroleum or condensate stored, processed, or treated prior to custody transfer. The design capacity of the entire facility is 254.41 m³.

8. ARM 17.8.342 Emission Standards for Hazardous Air Pollutants for Source Categories. A major Hazardous Air Pollutant (HAP) source, as defined and applied in 40 CFR 63, shall comply with the requirements of 40 CFR 63, as applicable, including the following subparts:
- Subpart HH – National Emission Standards for Hazardous Air Pollutants From Oil and Natural Gas Production Facilities.
 - Subpart HHH – National Emission Standards for Hazardous Air Pollutants From Natural Gas Transmission and Storage Facilities
 - Subpart ZZZZ – National Emission Standards for Hazardous Air Pollutants for Reciprocating Internal Combustion Engines.

Based on the information submitted by Encore, the Steinbeisser 34-22H facility is not subject to the provisions of 40 CFR Part 63, 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 MAQP application fee concurrent with the submittal of an MAQP application. An MAQP application is incomplete until the proper application fee is paid to the Department. Encore was not required to submit an MAQP application fee because the current MAQP action is considered an administrative action.
 2. ARM 17.8.505 Air Quality 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 MAQP (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 MAQP 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 MAQP 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 MAQP or MAQP 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 Encore facility has the potential to emit greater than 25 tons per year of Volatile Organic Compounds (VOC); therefore, an MAQP is required.
 3. ARM 17.8.744 Montana Air Quality Permits--General Exclusions. This rule identifies the activities that are not subject to the MAQP 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 an MAQP under the MAQP Program.
 5. ARM 17.8.748 New or Modified Emitting Units--Permit Application Requirements. (1) This rule requires that an MAQP application be submitted prior to installation, alteration, or use of a source. Encore was not required to submit an MAQP application because the current permitting action is an administrative 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 an MAQP. Encore was not required to submit an affidavit of public notice because the current permitting action is an administrative action.
 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 MAQP and the requirements of this subchapter. This rule also requires that the MAQP 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 BACT shall be utilized. The BACT analysis is discussed in Section III of this MAQP analysis.
 8. ARM 17.8.755 Inspection of Permit. This rule requires that MAQPs 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 MAQP shall be construed as relieving Encore 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 17.8.762 Duration of Permit. An MAQP shall be valid until revoked or modified, as provided in this subchapter, except that an MAQP issued prior to construction of a new or altered source may contain a condition providing that the MAQP will expire unless construction is commenced within the time specified in the MAQP, which in no event may be less than 1 year after the MAQP is issued.
11. ARM 17.8.763 Revocation of Permit. An MAQP 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).
12. ARM 17.8.764 Administrative Amendment to Permit. An MAQP 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 MAQP limits unless the increase meets the criteria in ARM 17.8.745 for a de minimis change not requiring an MAQP, or unless the owner or operator applies for and receives another MAQP 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.
13. ARM 17.8.765 Transfer of Permit. This rule states that an MAQP 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 greater than (>) 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 (PM₁₀) in a serious PM₁₀ 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 MAQP #3418-02 for Encore, 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 < 10 tons per year for any one HAP and < 25 tons per year for all HAPs;
 - c. This source is not located in a serious PM₁₀ 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 neither a Title IV affected source, nor a solid waste combustion unit; and
 - g. This source is not an Environmental Protection Agency (EPA) designated Title V source.

Based on these facts, the Department determined that Encore 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. Encore shall install on the new or altered source the maximum air pollution control capability which is technically practicable and economically feasible, except that BACT shall be utilized. A BACT analysis was not required for the current permitting action because it is considered an administrative action.

IV. Emission Inventory

| Source I.D.# | Source | Tons/year | | | | |
|------------------------|------------------------------|-------------|-----------------|-------------|--------------|-------------|
| | | PM | NO _x | CO | VOC | HAPs |
| OT-1, OT-2, OT-3, OT-4 | 400-bbl Production Oil Tanks | | | | | |
| F | Custom Vertical Flare | | 4.65 | 9.29 | 48.34 | 0.58 |
| HT | Connors Heater Treater | 0.02 | 0.30 | 0.25 | 0.02 | |
| FE | Fugitive Emissions-Piping | | | | 4.67 | |
| TL | Truck Loading | | | | 7.22 | |
| Totals | | 0.02 | 4.95 | 9.54 | 60.25 | 0.58 |

(4) 400-bbl Commingled Production Oil Tanks (OT-1, OT-2, OT-3, and OT-4)

Production Oil Tanks VOC Emissions: Estimated based on analytical results from a liquids sample taken from the nearby Steinbeisser 44-32H well. The sample was analyzed and run through a process simulator using the operational separator pressure and temperature to determine the potential flash emissions produced from this tank battery for each barrel of oil.

VOC Emissions

Annual oil throughput 127,750 bbl/yr
 Tank VOC emissions 9.73 lb/bbl
 Flash emissions to the flare 621.5 ton/yr

No emissions from the tanks the entire flash stream is routed to the flare

Custom Vertical Gas Flare (F)

Gas Heating Value: 1,500 Btu/Scf (Company Information)
Fuel Gas Usage:
Tank Vapor: 1,491 Scf/hr
Heater Treater (Flash gas): 333 Scf/hr
Pilot: 185 Scf/hr
Total: 2,009 Scf/hr
Requested Limit: 75 Mcfd or 3,125 Scf/hr (produced gas) + 2,009 Scf/hr = 5,134 Scf/hr
(*Requested limit to include produced gas quantities)

VOC Control Efficiency: 95% (Flare)

NO_x Emissions

Emission Factor: 0.1380 lb/MMBtu (AP-42)
Calculations: 5,134 Scf/hr * 1,500 Btu/Scf * 0.1380 lb/MMBtu = 1.06 lb/hr
1.06 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 4.65 ton/yr

CO Emissions

Emission Factor: 0.2755 lb/MMBtu (AP-42)
Calculations: 5,134 Scf/hr * 1,500 Btu/Scf * 0.2755 lb/MMBtu = 2.12 lb/hr
2.12 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 9.29 ton/yr

VOC Emissions

(Tanks) Calculations 350 bbl/day * 9.73 lb/bbl * (1-.95) * (day/24 hr) = 7.09 lb/hr (Gas Analysis)
7.09 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 31.08 ton/yr
(Produced Gas) Calculations 3.94 lb/hr (Company Information Gas Analysis)
3.94 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 17.26 ton/yr

HAP Emissions

(Tanks) Calculations 350 bbl/day * 0.09 lb/bbl * (1-.95) * (day/24 hr) = 0.07 lb/hr (Gas Analysis)
0.07 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 0.29 ton/yr
(Produced Gas) Calculations 0.08 lb/hr (Company Information Gas Analysis)
0.07 lb/hr * 8,760 hr/yr * 0.0005 ton/lb = 0.29 ton/yr

Heater Treater Burner (HT)

Fuel Heating Value: 1,500 Btu/scf (Company Information)
Fuel Consumption: 0.50 MMBtu/hr (Maximum Rated Design Capacity)
Fuel Usage: 1 MMscf/MMBtu * 0.5 MMBtu/hr * 8,760 hr/yr = 3.98 MMScf/yr

PM Emissions (PM emissions include PM₁₀ and PM_{2.5}):

Emission Factor: 7.6 lb/MMScf (AP-42)
Calculations: 3.98 MMscf/yr * ((7.6 lb/MMscf * 1,500 Btu/scf) / 1,020 Btu/scf) * 1 ton/2,000 lb = 0.02 ton/yr

NO_x Emissions:

Emission Factor: 100 lb/MMScf (AP-42)
Calculations: 3.98 MMscf/yr * ((100 lb/MMscf * 1,500 Btu/scf) / 1,020 Btu/scf) * 1 ton/2,000 lb = 0.30 ton/yr

CO Emissions:

Emission Factor: 84 lb/MMScf (AP-42)
Calculations: 3.98 MMscf/yr * ((84 lb/MMscf * 1,500 Btu/scf) / 1,020 Btu/scf) * 1 ton/2,000 lb = 0.25 ton/yr

VOC Emissions:

Emission Factor: 5.5 lb/MMScf (AP-42)
Calculations: 3.98 MMscf/yr * ((5.5 lb/MMscf * 1,500 Btu/scf) / 1,020 Btu/scf) * 1 ton/2,000 lb = 0.02 ton/yr

SO₂ Emissions:

Emission Factor: 0.6 lb/MMScf (AP-42)
Calculations: 3.98 MMscf/yr * ((0.6 lb/MMscf * 1,500 Btu/scf) / 1,020 Btu/scf) * 1 ton/2,000 lb = 0.002 ton/yr

Fugitive Emissions – Piping (FE)

VOC Emissions

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

Gas

VOC Weight Fraction: 0.49 (Company Estimate)

Valves: 90 valves (Company Information)
 Emission Factor: 0.00992 lb/hr - valve
 Calculation: 90 valves * 0.00992 lb/hr-valve * 0.49 * 8,760 hr/yr * 0.0005 ton/lb = 1.92 ton/yr

Relief Valves (Other): 15 relief valves (Company Information)
 Emission Factor: 0.01940 lb/hr – relief valve
 Calculation: 15 r-valves * 0.01940 lb/hr – relief valve * 0.49 * 8,760 hr/yr * 0.0005 ton/lb = 0.63 ton/yr

Flanges: 58 flanges (Company Information)
 Emission Factor: 0.00086 lb/hr - flange
 Calculation: 58 flanges * 0.00086 lb/hr-flange * 0.49 * 8,760 hr/yr * 0.0005 ton/lb = 0.11 ton/yr

Connectors: 114 connectors (Company Information)
 Emission Factor: 0.000441 lb/hr – connector
 Calculation: 114 connectors * 0.000441 lb/hr-connector * 0.49 * 8,760 hr/yr * 0.0005 ton/lb = 0.12 ton/yr

Total Gas fugitive emissions – piping = 1.92 ton/yr + 0.63 ton/yr + 0.11 ton/yr + 0.12 ton/yr = 2.78 ton/yr

Light Oil Service (<20 °API Gravity)

VOC Weight Fraction: 1.00 (Company Estimate)

Valves: 60 valves (Company Information)
 Emission Factor: 0.00551 lb/hr - valve
 Calculation: 60 valves * 0.00551 lb/hr-valve * 8,760 hr/yr * 0.0005 ton/lb = 1.45 ton/yr

Flanges: 38 flanges (Company Information)
 Emission Factor: 0.000243 lb/hr - flange
 Calculation: 38 flanges * 0.000243 lb/hr-flange * 8,760 hr/yr * 0.0005 ton/lb = 0.04 ton/yr

Pump Seals: 2 pump seals (Company Information)
 Emission Factor: 0.0287 lb/hr – pump seal
 Calculation: 2 pump seals * 0.0287 lb/hr-pump seal * 8,760 hr/yr * 0.0005 ton/lb = 0.25 ton/yr

Connectors: 76 connectors (Company Information)
 Emission Factor: 0.000463 lb/hr – connector
 Calculation: 76 connectors * 0.000463 lb/hr-connector * 8,760 hr/yr * 0.0005 ton/lb = 0.15 ton/yr

Total Oil fugitive emissions – piping = 1.45 ton/yr + 0.04 ton/yr + 0.25 ton/yr + 0.15 ton/yr = 1.89 ton/yr

Total VOC fugitives = Total Gas + Total Oil
2.78 ton/yr + 1.89 ton/yr = 4.67 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)

$L_L = 12.46 * SPM/T$ (AP-42, Chapter 5, equation 1, page 5.2-4, 1/95)

Where:

L_L = loading loss, lb/10³ 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 = 4.6
 M = molecular weight of vapors (lb/lb/mole) = 41.5
 T = temperature of bulk liquid loaded in °R (°F + 460) = 530

$L_L = 12.46 * 0.60 * 4.6 * 41.5 / 530 = 2.69$ lb/1,000 gal TOC

$L_L \text{ VOC} = 2.69 \text{ lb/1,000 gal} * (612.5 \text{ gal/hr}) * (8,760 \text{ hr/yr}) * (0.0005 \text{ ton/lb}) = 7.22 \text{ ton/yr}$

V. Existing Air Quality

The Encore 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 SW¹/₄ of the SE¹/₄ of Section 22, Township 23 North, Range 57 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 Encore 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

This permitting action will not result in an increase of emissions from the facility and is considered an administrative action; therefore, an Environmental Assessment is not required.

Analysis Prepared By: Moriah Peck

Date: July 10, 2007