



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

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Ref: 8P-AR

AUG 17 2011

Mr. Dave Klemp, Bureau Chief
Air and Waste Management Bureau
Department of Environmental Quality
P.O. Box 200901
Helena, MT 59620-0901

RE: Comments on Montana's Proposed Oil and Gas
Registration Program SIP Revision

Dear Mr. Klemp:

The purpose of this letter is to provide the U.S. Environmental Protection Agency (EPA) Region 8's comments on the Montana Department of Environmental Quality's (MDEQ's) proposed Administrative Rules of Montana (ARM) 17.8.1601-1606 "Emission Control Requirements for Oil and Gas Well Facilities Operating Prior to Issuance of a Montana Air Quality Permit" and ARM 17.8.1701-1713 "Registration of Air Contaminant Sources," prior to the close of the public comment period on August 18, 2011. These rules would establish an Oil and Gas Registration Program to be included in the State Implementation Plan (SIP). In addition, we are providing comments on the State's demonstration in support of the Oil and Gas Registration Program for meeting Section 110(l) requirements under the Clean Air Act (CAA). These rules were adopted by the Board of Environmental Review on March 23, 2006 and December 2, 2006.

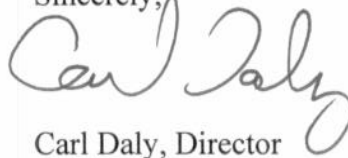
We want to acknowledge the State's tremendous effort in the development of its 110(l) demonstration. We recognize that for certain source categories involving operations that are relatively similar in nature, case-by-case permitting may not be the most administratively efficient approach to establishing federally-enforceable restrictions.

In our enclosure, we have identified some additional elements that need to be included in MDEQ's 110(l) analysis, as well as, comments on the Oil and Gas Registration Program rules.

We have appreciated working with you and your staff on this SIP revision. A written response to EPA's comments, and all other comments received, is required to meet the completeness criteria outlined in 40 CFR Part 51, Appendix V and must be included in the State's formal submittal of

these revisions to the SIP once they are finalized. We emphasize that we will only come to a final conclusion regarding the adequacy of this Montana SIP revision when we act on it through our own public notice and comment rulemaking. If you have any questions on EPA's comments, feel free to call me at 303-312-6416, or your staff may contact Kevin Leone, of my staff, at 303-312-6227.

Sincerely,

A handwritten signature in cursive script that reads "Carl Daly". The signature is written in black ink and is positioned to the right of the word "Sincerely,".

Carl Daly, Director
Air Program

Enclosure

ENCLOSURE

Subchapter 16 - Emission Control Requirements for Oil and Gas Well Facilities Operating Prior to Issuance of a Montana Air Quality Permit

17.8.1601 – Definitions

(1) "emissions minimizing technology"

Can Montana clarify what technology is included in this definition as it appears somewhat ambiguous. For example: What are the types of "resource recovery" activities and "technology" that will result in "significantly lower emissions of VOCs"? It's not clear what precise technologies this definition is referring to.

(3) "Oil and Gas Well Facility"

The SIP submittal states the definition is located in State Statute 75-2-103(13), but the definition is in (15). 75-2-103(13) is the definition of Incinerators. We appreciate that the statute was changed AFTER the SIP was submitted to us, and recognize that Montana is committed to correcting this error in its next rulemaking action.

Subchapter 17 - Registration of Air Contaminant Sources

17.8.1701 Definitions

(5) – "Registration eligible facility"

This has the same problematic cross-reference to the Montana Code as indicated above in 17.8.1601(3).

Section 110(l) Analysis

The section 110(l) analysis (demonstration of non-interference) needs to clearly identify all criteria pollutants whose emissions or ambient concentrations may change as a result of the new oil and gas rules. The State's demonstration discusses the criteria pollutants, but it does so generally. The demonstration asserts that the effect of these rules on oil and gas well emissions on the National Ambient Air Quality Standards (NAAQS) would be negligible due to the fact that Montana has implemented these rules for five years with no monitored increase in emissions in areas of oil and gas development, and the control requirements are more stringent than Montana Air Quality Permit provisions. However, outside of the Attachment 8 analysis of sulfur dioxide (SO₂) emissions, the 110(l) analysis lacks data to support this position.

In particular, the State needs to include data showing the effect, or lack of, that the new oil and gas rules would have on the ozone NAAQS published in 2008 (see 40 CFR 50.15) and the nitrogen dioxide (NO₂) NAAQS published in February 2010 (see 75 FR 6474), as well as, the effect on all other criteria pollutant NAAQS. Montana needs to include the following information in their 110(l) demonstration:

1. Provide historical data, going back to when the oil and gas rules were implemented as a State-approved rule in 2006, showing criteria pollutant emission trends attributed to oil and gas well facilities through, for example, emissions inventory reports. We realize that historical monitoring data for ozone (or VOC) and NO₂ in areas of high oil and gas development have not been on line long enough to provide sufficient historical data. As such, emission inventory reports may provide information as to the past emission trends attributed to oil and gas well facilities for these pollutants.
2. There is no predictive analysis in this demonstration for future projected increases in oil and gas development in Montana and how it might affect the NAAQS. The purpose of a 110(l) analysis is to prevent changes that could interfere with attainment of the NAAQS or other applicable CAA requirements. While there are many encouraging monitoring results showing past downward trends in criteria pollutant emissions, this demonstration needs to show data predicting numbers of oil and gas well facilities and quantities of emissions that result from these sources. This predictive analysis needs to project out for some reasonable period of time into the future and the data then used to look at potential impacts on ambient levels in areas with a high concentration of sources. The State may be able to utilize geographic predictions of source growth, projected construction and new source permit applications, Network Plan data, etc. In addition, the State needs to describe how it tracks oil and gas development in the State that may affect air quality.
3. We also request that MDEQ provide more information on sour gas wells located in the State. We note that most of the sour gas wells are located in northwest Montana near the towns of Cut Bank and Shelby in Glacier and Toole Counties in addition to Valley, Daniels, Sheridan, Roosevelt, Richland and McCone Counties in northeast Montana.
4. The State's analysis needs to include a sufficient basis to show that the proposed regulatory additions and changes to the SIP will not interfere with each of the nonattainment areas in the State.

In addition, the 110(l) demonstration states that the oil and gas registration program has particular rule language; however, the demonstration does not reference all the regulatory provisions and provide cross-references. For example, the following statement made in the 110(l) demonstration does not reference where the requirement can be found in the proposed SIP revisions, "oil and gas well facilities are required to comply with all the rules generally applicable to other regulated emission sources." Similarly, the 110(l) demonstration notes throughout Table 1 that that SIP-approved requirements contain monitoring, reporting and

recordkeeping requirements that an oil and gas well facility is subject to, and references the regulations generally, but does not reference the specific regulatory provisions. Please add these specific citations so it is clear which proposed SIP provisions you are referring to in the 110(l) demonstration.