Montana Department of
ENVIRONMENTAL QUALITY
Brian Schweitzer, Governor
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March 5, 2010

Mr. Kent Sales
Hiland Partners, LP
P.O. Box 5103
Enid, OK 73702-5103

Dear Mr. Sales:

The Department of Environmental Quality (Department) has made its decision on the Montana Air Quality Permit application for Hiland Partners, LP - Bakken Gathering Plant. The application was given permit number 3331-07. The Department's decision may be appealed to the Board of Environmental Review (Board). A request for hearing must be filed by April 5, 2010. This permit shall become final on March 23, 2010, unless the Board orders a stay on the permit.

Procedures for Appeal: Any person jointly or severally adversely affected by the final action may request a hearing before the Board. Any appeal must be filed before the final date stated above. The request for a hearing shall contain an affidavit setting forth the grounds for the request. Any hearing will be held under the provisions of the Montana Administrative Procedures Act. Submit requests for a hearing in triplicate to: Chairman, Board of Environmental Review, P.O. Box 200901, Helena, Montana 59620.

Conditions: See attached.

For the Department,

Vickie Walsh

Vickie Walsh
Air Permitting Program Supervisor
Air Resources Management Bureau
(406) 444-9741

Kathleen Doran

Kathleen Doran, P.E.
Environmental Engineer
Air Resources Management Bureau
(406) 247-4443

VW:KD
Enclosure

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

FINAL ENVIRONMENTAL ASSESSMENT (EA)

Issued To: Hiland Partners, LP
Bakken Gathering Plant
P.O. Box 5103
Enid, Oklahoma 73702-5103

Montana Air Quality Permit number: 3331-07

Preliminary Determination Issued: February 12, 2010
Department Decision Issued: March 5, 2010
Permit Final:

1. *Legal Description of Site:* The facility is located approximately 8 miles northwest of Sidney, Montana, in the NE ¼ of the NW ¼ of Section 3, Township 23 North, Range 58 East, in Richland County, Montana. The facility is known as the Bakken Gathering Plant**.**

2. *Description of Project:* The HPL Bakken Gathering Plant is an existing natural gas processing plant that extracts and fractionates natural gas liquids from field gas. Under the current permit action, HPL proposed the addition of a natural gas fired compressor engine with a 265 bhp rated engine, and to increase the truck loading capabilities at the facility by 1,000 bbl per day. HPL also requested to install an additional 84, 000 gallon pressurized bullet tank for fractionated product as a de minimis action.

3. *Objectives of Project*: HPL submitted the current permit modification to allow for the installation of a 265 bhp natural gas-fired compressor engine. This compressor engine would be used in conjunction with other previously permitted equipment at the facility.

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 facility. However, the Department does not consider the "no-action" alternative to be appropriate because HPL 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, is included in MAQP #3331-07.

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 to 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 Department has prepared the following comments.

A. Terrestrial and Aquatic Life and Habitats

Although additional emissions would be expected in this project area, the emissions would be considered minimal and have only a minor impact on existing terrestrial, aquatic life, and habitats of the area. The proposed project is located in a remote area where the land use is primarily used for agricultural and livestock grazing. Emissions or deposition of pollutants would be minor due to dispersion characteristics of the pollutants, the atmosphere, and the conditions that would be placed in MAQP #3331-07.

B. Water Quality, Quantity, and Distribution

The proposed action would have little or no effect on the water quality, water quantity, and distribution, as there would be no discharge to groundwater or surface water associated with this project. The proposed project would not require surface or groundwater use and there would be no change in drainage patterns. However, minor amounts of water may be required to control fugitive dust emissions from the access roads and the general facility property. In addition there could be minor pollutant deposition on surface waters near the project area. Therefore, the project would have minor, if any, impacts to water quality, quantity, or distribution in the area.

C. Geology and Soil Quality, Stability, and Moisture

The proposed project would not impact the geology, soil quality, stability, and moisture of the proposed project area. The proposed project would be within an existing facility and no new construction or ground disturbance to the area would be required.

However, deposition resulting from the proposed action is not expected to impact the geology, or the quality, stability or moisture content of local soil. Overall, no impacts to the geology and soil quality, stability, and moisture of the project area would be expected.

D. Vegetation Cover, Quantity, and Quality

The proposed action would not directly impact vegetative cover, quantity or quality, because it will not result in new construction or ground disturbance and no discharge or use of water is required as part of this project. An increase in emissions for this project may have a minor effect on the surrounding vegetation; however the air quality permit associated with this project would contain conditions and limitations to minimize the effect of the emissions on the surrounding environment. Overall, this project would have minor effects on the vegetation cover, quantity, and quality

E. Aesthetics

The proposed action would include a modification at an existing industrial facility and would not substantively change the nature or character of the facility. Therefore, the proposed action would not result in net change in the aesthetics of the area.

F. Air Quality

The air quality of the area would realize minor impacts from the proposed project because the project would emit increased amounts of particulates, NO_x, CO, VOC, including HAPs; and very small amounts of SO_x. Air emissions from the additional compressor engine and the increased truck loading capability would be minimized by conditions that would be placed in MAQP #3331-07. Conditions would include, but would not be limited to, BACT emission limitations and reasonable precautions to control fugitive dust emissions.

The Department determined that controlled emissions from the proposed action would not cause or contribute to a violation of any ambient air quality standard. Therefore, any impacts to air quality from the proposed project would be minor.

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 known species of special concern located within the proposed project area. In this case, the project area was defined by the section, township, and range of the proposed location with an additional 1-mile buffer zone.

The proposed action would be located an existing facility, would not require additional ground disturbance or significant construction, would not be likely to result in measurable impacts to local ecosystems, and no endangered or fragile or limited environmental resource occurrences were identified in the study area. Therefore, the Department has determined that the proposed action would not impact species of special concern or fragile or limited environmental resources.

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

The proposed project would have minor impacts on the demands for the environmental resources of air because the facility would be a source of air pollutants, and water because the facility may use water for dust suppression. Deposition of pollutants would occur as a result of operating the facility; however, as explained in Section 7.F of this EA, the Department determined that any impacts from deposition of pollutants would be minor.

The proposed project would be expected to have any minor impacts on the demand for the environmental resource of energy because power would be required at the site. However, overall, impacts on the demands for the environmental resources of water, air, 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 (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, although no previous cultural resource inventories have been conducted in the area, it is SHPO's recommendation that a cultural resource inventory is not warranted at this time. Therefore, the Department determined that the proposed project would be located in an existing facility and that no additional disturbance is proposed, there would be no potential to impact historical or archaeological sites.

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 from the proposed action due to the scope and nature of the proposed facility modifications. The Department believes that the facility can be expected to operate in compliance with all applicable rules and regulations as would be outlined in MAQP #3331-07.

Additional facilities (compressor stations, gas plants, etc.) could locate in the area to withdraw natural gas from the nearby area and/or to separate the components of natural gas. However, any future facility would be required to apply for and receive the appropriate permits from the appropriate regulating authority. Environmental impacts from any future facilities would be assessed through the appropriate permitting process.

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
B. Cultural Uniqueness and Diversity

The proposed project would not be expected to cause any impact to the social and cultural resources in the area because the proposed project is a modification that would take place at an existing facility that is located in a relatively remote location. Further, the predominant use of the surrounding area would not change as a result of implementing the proposed project.

C. Local and State Tax Base and Tax Revenue

The proposed project would not result in impacts to the local and state tax base and tax revenue because relatively few or no new employees would be needed as a result of the proposed project and the net change in the potential amount of natural gas that can be processed is negligible. Further, the proposed modification would not require significant construction activities. Overall, any impacts to the local and state tax base and tax revenue would be minor.

D. Agricultural or Industrial Production

The land surrounding the proposed location is rural agricultural grazing land; however, the proposed project would not require significant land use changes on the facility or surrounding properties. Therefore, the proposed project is not expected to impact industrial production in the area because the proposed project would add new equipment to an existing industrial source locating in an existing industrial facility. The proposed project would not likely result in additional industrial sources (not directly associated with operations) moving to a given area. Overall, any impacts to agricultural or industrial production from the project would be minor.

Additional associated facilities (production field facilities) could locate in the area. However, any future facility would be required to apply for and receive the appropriate permits from the appropriate regulating authority. Impacts from any future facilities would be assessed through the appropriate permitting process.

E. Human Health

The proposed project would result in minor, if any, impacts to human health. As explained in Section 7.F of this EA, minor changes may occur in local air quality and additional deposition of pollutants may occur; however, pollutant emissions are not expected to cause or contribute to a violation of any air quality standard and the proposed facility modification has been determined to comply with all applicable air quality rules and regulations. These rules, regulations, and standards are designed to be protective of human health. Overall, any impacts to human health would be minor.

F. Access to and Quality of Recreational and Wilderness Activities

The proposed project would not impact any access to recreational and wilderness activities because the proposed facility modification would be contained in an existing industrial facility already used for collection, processing and transmission of natural gas.

G. Quantity and Distribution of Employment
H. Distribution of Population

The proposed action is not expected to have impacts on the quantity and distribution of employment or the distribution of population in the area because the modifications proposed at the facility would likely not require additional employees. Current employees in the area associated with the facility would be likely to execute any physical site changes required. No new jobs, immigration, or emigration is expected.

I. Demands for Government Services

The project would result in minor impacts on the demands for government services because time is required by government agencies to issue MAQP #3331-07 and to assure compliance with applicable rules, standards, and conditions contained in MAQP #3331-07. Overall, any demands for government services to regulate the facility or activities associated with the facility would be minor and consistent with current demands due to the existing industrial nature of the facility.

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. The proposed project would take place at an existing facility that is located in a relatively remote location. Overall, any impacts to the local industrial and commercial activity of the area would be minor.

Additional facilities (compressor stations, gas plants, etc.) could locate in the area to withdraw natural gas from the nearby area and/or to separate the components of natural gas. However, any future facility would be required to apply for and receive the appropriate permits from the appropriate regulating authority. Environmental impacts from any future facilities would be assessed through the appropriate permitting process.

K. Locally Adopted Environmental Plans and Goals

The Department is unaware of any locally adopted environmental plans or goals in the area. The permit requires compliance with state standards and goals. The state standards would be protective of the proposed site and the environment surrounding the site.

L. Cumulative and Secondary Impacts

Overall, cumulative and secondary impacts from this project would result in minor impacts to the economic and social aspects of the human environment in the immediate area. The Department believes that this facility could be expected to operate in compliance with all applicable rules and regulations as would be outlined in MAQP #3331-07 and that industrial production, employment, and tax revenue (etc.) impacts resulting from the proposed project would be minor.

Additional facilities (compressor stations, gas plants, etc.) could locate in the area to withdraw natural gas from the nearby area and/or to separate the components of natural gas. However, any future facility would be required to apply for and receive the appropriate permits from the appropriate regulating authority. Environmental impacts from any future facilities would be assessed through the appropriate permitting process.

Recommendation: An Environmental Impact Statement (EIS) is not required.

If an EIS is not required, explain why the EA is an appropriate level of analysis: There are no significant impacts resulting from the project; therefore, an EIS is not required.

Other groups or agencies contacted or which may have overlapping jurisdiction: Department of Environmental Quality - Permitting and Compliance Division (Air Resources Management Bureau); Montana Natural Heritage Program; and the State Historic Preservation Office (Montana Historical Society).

Individuals or groups contributing to this EA: Department of Environmental Quality (Air Resources Management Bureau), Montana Natural Heritage Program, and State Historic Preservation Office (Montana Historical Society).

EA prepared by: K. Doran
Date: February 8, 2010