Montana Department of
ENVIRONMENTAL QUALITY
Brian Schweitzer, Governor
P. O. Box 200901 Helena, MT 59620-0901 (406) 444-2544 Website: www.deq.mt.gov

PRELIMINARY DETERMINATION
ON PERMIT APPLICATION

Date of Mailing: February 27, 2012

Name of Applicant: Saga Petroleum, LLC

Source: Natural gas compressor station

Proposed Action: The Department of Environmental Quality (Department) proposes to issue a permit, with conditions, to the above-named applicant. The application was assigned Permit Application Number 2770-10.

Proposed Conditions: See attached.

Public Comment: Any member of the public desiring to comment must submit such comments in writing to the Air Resources Management Bureau (Bureau) of the Department at the above address. Comments may address the Department's analysis and determination, or the information submitted in the application. In order to be considered, comments on this Preliminary Determination are due by March 13, 2012. Copies of the application and the Department's analysis may be inspected at the Bureau's office in Helena. For more information, you may contact the Department.

Departmental Action: The Department intends to make a decision on the application after expiration of the Public Comment period described above. A copy of the decision may be obtained at the above address. The permit shall become final on the date stated in the Department's Decision on this permit, unless an appeal is filed with the Board of Environmental Review (Board).

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 by the date stated in the Department's Decision on this permit. 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, MT 59620.

For the Department,

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

Deanne Fischer, P.E.
Environmental Engineer
Air Resources Management Bureau
(406) 444-3403

VW: DF
Enclosures

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

# DRAFT ENVIRONMENTAL ASSESSMENT (EA)

*Issued To*: Saga Petroleum, LLC
600 17th Street, Suite 1700 N
Denver, CO 80202

*Montana Air Quality Permit Number (MAQP)*: 2770-10

*Preliminary Determination Issued*: February 27, 2012
*Department Decision Issued*:
*Permit Final*:

1. *Legal Description of Site*: SE ¼ of the SE¼ of Section 25, Township 5 North, Range 19 East, in Golden Valley County, Montana.

2. *Description of Project*: To remove one 360-brake horsepower (bhp) compressor engine from the MAQP and add one 122-bhp engine in its place.

3. *Objectives of Project*: To continue to compress and dehydrate natural gas for distribution through the natural gas pipeline.

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 air quality preconstruction permit to the proposed facility. However, the Department does not consider the "no-action" alternative to be appropriate because Saga 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 Best Available Control Technology (BACT) analysis, would be included in MAQP #2770-10.

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 are reasonably necessary to ensure compliance with applicable requirements and demonstrate compliance with those requirements and do 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 | | | XX | | | Yes |
| B | Water Quality, Quantity, and Distribution | | | XX | | | Yes |
| C | Geology and Soil Quality, Stability and Moisture | | | XX | | | Yes |
| D | Vegetation Cover, Quantity, and Quality | | | XX | | | Yes |
| E | Aesthetics | | | XX | | | Yes |
| F | Air Quality | | | XX | | | Yes |
| G | Unique Endangered, Fragile, or Limited Environmental Resources | | | XX | | | Yes |
| H | Demands on Environmental Resource of Water, Air and Energy | | | XX | | | Yes |
| I | Historical and Archaeological Sites | | | XX | | | Yes |
| J | Cumulative and Secondary Impacts | | | XX | | | 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

Through the BACT process, MAQP #2770-10 would require the proposed compressor engine to be equipped with control technology. These controls greatly reduce the potential emissions from this source. Overall, the additional allowable emissions as a result of the permitting action would result in a very small increase, on an industrial scale, of all criteria pollutants. The Department would expect minor impacts to terrestrials and aquatic life and habitats.

B. Water Quality, Quantity and Distribution

This project would not result in regular usage of water during normal operations, with the exception of small amounts of water which may be required for fugitive dust control. Furthermore, the controls that would be required in issuance of MAQP #2770-10 would result in an emissions increase which is very small on an industrial scale. Therefore, the Department would expect minor, if any, impacts to water quality, quantity, and distribution.

C. Geology and Soil Quality, Stability and Moisture

Small amounts of water may be required for fugitive dust control of the access roads and the general facility property during installation and as needed during regular operations. Any change in the deposition of pollutants would be expected to be very minor as the change in emissions associated with this project would be small as a result of the control requirements that would be placed in MAQP #2770-10, and the dispersion of those emissions. Impacts to geology and soil quality, stability, and moisture would be expected to be minor.

D. Vegetation Cover, Quantity, and Quality

The current permitting action would take place at an existing facility Therefore, any impacts to vegetation cover, quantity, and quality would be expected to be minor, if any.

E. Aesthetics

The proposed project would be to install a compressor engine at an already existing industrial natural gas facility. A minor impact to aesthetics may be expected.

F. Air Quality

MAQP #2770-10 would require emission controls on the proposed compressor engine. These emission controls would greatly reduce the potential emissions from this source. Furthermore, the conditions and limitations which would be part of MAQP #2770-10 are derived from rules designed to protect air quality. Therefore, impacts to air quality would be expected to be minor.

G. Unique Endangered, Fragile, or Limited Environmental Resources

MAQP #2770-10 would require emissions controls on the proposed compressor engine. The resulting allowable emissions from the proposed engine would be very small on an industrial scale. Therefore, the Department would expect minor, if any, effects to unique endangered, fragile, or limited environmental resources.

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

The project would be to install a natural gas compressor engine. This engine would be fired on natural gas. However, the engine would be required to ensure proper distribution of natural gas through the pipeline. As described in Section 7.B above, the proposed project would not result in water usage as a part of normal operations of the compressor engine. However, small amounts of water may be required for fugitive dust control of the access roads and the general facility property during installation and as needed during normal operations. As described in Section 7.F above, impacts to air quality would be expected to be minor. Overall, the demands on the environmental resources of water, air, and energy would be expected to be minor.

I. Historical and Archaeological Sites

Minor, if any, affects to any historical or archaeological sites would be expected as a result of this project as the current project would take place within an already developed compressor station site.

J. Cumulative and Secondary Impacts

Potential physical and biological effects of any individual considerations above would be expected to be minor. Collectively, the potential cumulative and secondary impacts would be expected to be minor.

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 | | | XX | | | Yes |
| B | Cultural Uniqueness and Diversity | | | XX | | | Yes |
| C | Local and State Tax Base and Tax Revenue | | | XX | | | Yes |
| D | Agricultural or Industrial Production | | | XX | | | Yes |
| E | Human Health | | | XX | | | Yes |
| F | Access to and Quality of Recreational and Wilderness Activities | | | XX | | | Yes |
| G | Quantity and Distribution of Employment | | | XX | | | Yes |
| H | Distribution of Population | | | XX | | | Yes |
| I | Demands for Government Services | | | XX | | | Yes |
| J | Industrial and Commercial Activity | | | XX | | | Yes |
| K | Locally Adopted Environmental Plans and Goals | | | XX | | | Yes |
| L | Cumulative and Secondary Impacts | | | XX | | | 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 current project would replace an existing compressor engine at an existing industrial site. No additional employment is expected as a result of this project. Minor, if any, effects to social structures and mores would be expected as a result of this project.

B. Cultural Uniqueness and Diversity

The current project would replace an existing compressor engine at an existing industrial site. No additional employment is expected as a result of this project. Minor, if any, effects to cultural uniqueness and diversity would be expected as a result of this project.

C. Local and State Tax Base and Tax Revenue

The current project would replace an existing compressor engine at an existing industrial site. Impacts to local and state tax base and revenue associated with this project would be expected to be minor.

D. Agricultural or Industrial Production

The current project would take place at an existing industrial facility. Impacts from the installation of the engine would be expected to be minor. Limitations and conditions in MAQP #2770-10 would minimize allowable emissions. As the current project would replace an existing compressor engine at an existing industrial site, effects to agricultural or industrial production would be expected to be minor.

E. Human Health

The current project would replace an existing compressor engine at an existing industrial site. MAQP #2770-10 would contain conditions and limitations derived from rules designed to protect human health. The applicantion indicated noise levels created by the proposed project would be approximately 195 dBa at less than 1 meter. Impacts to human health would be expected to be minor.

F. Access to and Quality of Recreational and Wilderness Activities

The current project would take place at an existing facility. Any effects to the quality of recreational and wilderness activities would be expected to be minor.

G. Quantity and Distribution of Employment

No additional employment is expected as a result of this project. Any effects to quantity and distribution of employment would be expected to be minor.

H. Distribution of Population

Installation of the proposed compressor engine may require a temporary increase of activity in the area. However, no additional permanent employment would be expected as a result of this project. Therefore, any effects to quantity and distribution of employment or distribution of population would be expected to be minor.

I. Demands for Government Services

The proposed compressor engine would require the proper permitting and associated compliance activities from the state. Effects to the demands for government services would be expected to be minor.

J. Industrial and Commercial Activity

As the proposed engine would operate at an already existing industrial site, any effects to industrial and commercial activity would be expected to be minor.

K. Locally Adopted Environmental Plans and Goals

The Department is not aware of any locally adopted environmental plans and goals affected by the issuance of MAQP #2770-10. The MAQP would contain limits for protecting air quality and keeping facility emissions in compliance with state and federal air quality standards.

L. Cumulative and Secondary Impacts

Potential economic and social effects of any individual considerations above would be expected to be minor. The Department has determined that collectively, the potential cumulative and secondary impacts would be expected to be minor.

Recommendation: No Environmental Impact Statement (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 compressor engine. MAQP #2770-10 includes conditions and limitations to ensure the facility will 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.

EA prepared by: Deanne Fischer
Date: February 15, 2012