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: July 3, 2012

Name of Applicant: Denbury Onshore, LLC

Source: Enhanced Oil Recovery Facility

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 4740-00.

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 July 18, 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,

Charles Homer
Manager, Air Permitting, Compliance and Registration
Air Resources Management Bureau
(406) 444-5279

Ed Warner
Environmental Engineer
Air Resources Management Bureau
(406) 444-2467

CH:EW
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: Denbury Onshore, LLC – Bell Creek Central Facility
Montana Air Quality Permit Number: 4740-00
Preliminary Determination Issued: 7/3/12
Department Decision Issued:
Permit Final:

1. *Legal Description of Site*: The proposed facility would be located in NW¼ NE¼ of Section 27, Township 8 South, Range 54 East, in Powder River County, Montana.

2. *Description of Project*: This facility will receive carbon dioxide (CO_2) via pipeline that would be injected into the subsurface to enhance the volume of oil that is extracted from existing wells. The extract would return to Bell Creek in a production stream that contains produced water, CO_2, and oil. The facility equipment would separate the oil, produced water, and CO_2. The separated oil would be sent offsite to sales, while recovered produced water and CO_2 would be reinjected into the subsurface.

3. *Objectives of Project*: The objectives of the project would be to enhance the volume of oil that is extracted from existing wells.

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 Denbury 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 MAQP #4740-00.

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 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			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

This facility would be a new source of air emissions. These emissions could have an impact on the terrestrial and aquatic life and habits from pollutant deposition. However, the level of emissions is considered to be minor and any corresponding impacts from those emissions would also be expected to be minor. The construction of the facility is expected to disturb 24 acres of land based on information provided in the application.

B. Water Quality, Quantity and Distribution

Denbury would be required to control fugitive dust at the facility which may be accomplished with water spray. Proper application of water for dust control would have minimal effect on water quality, quantity, and distribution. There is no proposed discharge into surface waters or onto the proposed project site other than natural storm water runoff and the previously mention potential application of water spray for controlling road dust. Any effects on water quality, quantity, and distribution would be minor.

C. Geology and Soil Quality, Stability and Moisture

The proposed project is expected to disturb 24 acres of land for its construction. Any impacts from this activity are expected to be minor.

D. Vegetation Cover, Quantity, and Quality

The current land use may be classified as rangeland with oil and gas production. The proposed project is expected to disturb 24 acres of land for its construction. Any impacts to the surrounding vegetation cover, quantity, and quality would be minor.

E. Aesthetics

The proposed project would contain visible structures that would have a minor impact on the aesthetics of the area. In addition, there would be noise generated at the site from the various pieces of machinery. Overall, these impacts are expected to be minor due to the existing oil and gas production already occurring in the area.

F. Air Quality

The proposed facility would be a new source of air emissions. MAQP #4740-00 would contain enforceable conditions designed to protect the air quality. Bell Creek would be considered a minor source of emissions. Any impact from the air emissions would be minor.

G. Unique Endangered, Fragile, or Limited Environmental Resources

In an effort to assess any potential impacts to any unique endangered, fragile, or limited environmental resources in the proposed project area, the Department contacted the Natural Resource Information System – Montana Natural Heritage Program. Search results concluded that there are no records of species of special concern in the vicinity of the project location. The proposed facility is a minor source of emissions and is not expected to have any impacts on any unique endangered, fragile, or limited environmental resources.

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

The proposed project would likely have minor impacts on environmental resources of water, air, and energy. Water would be required to support the staff on site as well as for any necessary dust control. The source would be a minor source of air emissions. The source would utilize equipment that would require natural gas as well as electricity; however, no upgrades to utilities are expected to be required.

I. Historical and Archaeological Sites

The Department contacted the Montana Historical Society – State Historical Preservation Office (SHPO) in an effort to identify any historical and/or archaeological sites that may be present in the proposed location of the facility. Search results concluded that there have been no previously recorded sites within the designated search locale and a few previously conducted cultural resource inventories. According to correspondence from SHPO, a cultural resource inventory is recommended based on the lack of previous inventory and the ground disturbance required by this undertaking.

J. Cumulative and Secondary Impacts

The operation of the facility would likely cause minor cumulative and secondary impacts to the physical and biological aspects of the human environment because of the air emissions and land disturbance required for its operation and construction. The equipment would also generate noise.

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 affect the social structures and mores. Some land disturbance is required for construction, but no social structures or mores exist to be disturbed from this activity.

B. Cultural Uniqueness and Diversity

The proposed project would not affect the cultural uniqueness and diversity of the region. The property is a parcel located in rural Powder River County that may be classified as rangeland with oil and gas production.

C. Local and State Tax Base and Tax Revenue

The operation of the proposed facility would have a minor impact on local state tax base and revenue because it would increase oil production of the venture is successful and this would result in increased taxable revenues. Denbury also expects that this project would result in an additional 15 employees which would increase the level of payroll taxes.

D. Agricultural or Industrial Production

The operation of the proposed facility would have a minor impact on agricultural and industrial production. The land disturbance required for construction would make that land unusable as rangeland so there would be a minor impact on agriculture. The intent of the venture is to increase the oil production from existing wells; therefore, there would be an impact on the industrial production related to that.

E. Human Health

MAQP #4740-00 would incorporate conditions to ensure that the facility would operate in compliance with all applicable air quality rules and standards. These rules and standards are designed to be protective of human health. Therefore, only minor impacts would be expected to human health from the operation of the facility.

F. Access to and Quality of Recreational and Wilderness Activities

Based on information received from Denbury, no parks or recreational activities are in the vicinity of the proposed project location. Access to the nearest park and recreational areas would not be disturbed by the proposed project.

G. Quantity and Distribution of Employment

Denbury expects that the proposed project would require an additional 15 employees to be hired which would have a minor impact on the quantity and distribution of employment.

H. Distribution of Population

It is unknown if the facility would have an impact on the distribution of population. Denbury expects that the proposed project would require an additional 15 employees; however, it is unknown if these employees would be from the local area or if they would relocate from somewhere else.

I. Demands for Government Services

Government services would be required for acquiring the appropriate permits for the proposed project, as well as for verifying compliance with any permits. However, demands for government services would be minor.

J. Industrial and Commercial Activity

The operation of the proposed facility would result in an increase in the industrial and commercial activity in the area. Because there is already extensive oil production occurring there, any impacts from the proposed project would be minor.

K. Locally Adopted Environmental Plans and Goals

The Department is not aware of any locally adopted environmental plans and goals in the proposed project area. Denbury has indicated in the MAQP application that based on the Montana Fish and Wildlife website, there does not appear to be any land management plans in place, nor is the area located on any tribal territory. The facility would be required to comply with terms and conditions of MAQP #4740-00 which would be protective of human health and the environment.

L. Cumulative and Secondary Impacts

The operation of the proposed facility would cause only minor cumulative and secondary impacts to the social and economic aspects of the area. There would be some land disturbance from the construction of the facility. Once operational, there would be noise generated from some of the equipment. The increase in industrial activity and local employment would result

in an increase in traffic. An increase in oil production would have an economic impact to the area. The anticipated cumulative and secondary impacts would be expected to be minor due to the nature of the activities being the same as are already common in the area.

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 an enhanced oil production facility. MAQP #4740-00 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, Montana Historical Society – State Historic Preservation Office, Natural Resource Information System – Montana Natural Heritage Program

EA prepared by: Ed Warner
Date: June 25, 2012