Montana Department of
ENVIRONMENTAL QUALITY

Steve Bullock, Governor
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May 7, 2013

Greg Johnston
Hiland Crude, LLC
P.O. Box 5103
Enid, OK 73702

Dear Mr. Johnston:

The Department of Environmental Quality (Department) has made its decision on the Montana Air Quality Permit application for Hiland Crude, LLC. The application was given permit number 4598-02. The Department's decision may be appealed to the Board of Environmental Review (Board). A request for hearing must be filed by May 22, 2013. This permit shall become final on May 23, 2013, 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,

Julie A. Merkel
Air Permitting Supervisor
Air Resources Management Bureau
(406) 444-3626

Tashia Love
Environmental Science Specialist
Air Resources Management Bureau
(406) 444-5280

JM:TL
Enclosures

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 Crude, LLC
P.O. Box 5103
Enid, OK 73702

Montana Air Quality Permit Number: 4598-02

Preliminary Determination Issued: 04/02/2013
Department Decision Issued: 05/07/2013
Permit Final:

1. *Legal Description of Site*: NW¼ of the NW¼ of Section 4, Township 24 North, Range 54 East in Richland County, Montana.

2. *Description of Project*: Hiland Crude (LLC) proposes to increase the throughput capacity of all the tanks at the facility. This facility is currently used to unload crude oil from transport trucks to storage tanks and to inject the oil into a pipeline.

3. *Objectives of Project:* The objectives of the project would be to generate business and revenue from the transport of crude oil to sales destinations.

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 Hiland 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 #4598-02.

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

The Department would expect minor effects to terrestrial and aquatic life and habitats by the proposed project. The allowable emissions associated with this permitting action are relatively small, and include VOC and PM emissions. Control requirements for fugitive dust emissions would be included in MAQP #4598-02 to reduce PM emissions and therefore the amount of deposition. Overall, any impacts to terrestrial and aquatic life and habitats would be expected to be minor.

B. Water Quality, Quantity and Distribution

Minor impacts would be expected on water quality, quantity, and distribution from the proposed project due to pollutant deposition and the use of water for dust suppression on the gravel roads. There would be no surface or groundwater discharges expected from the proposed project, nor would there be any surface waters at or near the project site. Therefore minor, if any, impacts would be expected from the proposed project.

C. Geology and Soil Quality, Stability and Moisture

Water and/or chemical dust suppressant may be used to reduce fugitive dust emissions from vehicle traffic on unpaved roads. Minor, if any, impacts to water quality, quantity and distribution, and geology, soil quality, stability, and moisture would be expected from the proposed project.

D. Vegetation Cover, Quantity, and Quality

MAQP #4598-02 would require control of fugitive dust emissions to reduce deposition of PM. The allowable emissions from the site are relatively small, and effects to vegetation cover, quantity, and quality would be expected to be minor from the proposed project.

E. Aesthetics

Hiland is proposing to increase the throughput capacity of all of the tanks at the facility. The site would still consist of twelve tanks and would include truck traffic. Therefore, minor changes to aesthetics would be expected as a potential increase in truck traffic from the proposed project would occur.

F. Air Quality

MAQP #4598-02 would permit emissions of VOC and PM. The Department determined, based on the relatively small amount of emissions increase by the proposed project, that the impacts to air quality would be expected to be minor.

G. Unique Endangered, Fragile, or Limited Environmental Resources

In an effort to identify any unique, 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 species of special concern in the vicinity of the project area. In this case, the area was defined by the section, township, and range of the proposed location with an additional one mile buffer zone. Due to the minor levels of potential air pollutant emissions and the results of the NRIS search, the Department would expect minor, if any, impact on any unique endangered, fragile, or limited environmental resources.

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

The proposed project would have minor impacts on the demands of environmental resources of water, air, and energy because the proposed project would be a source of an increase in air pollutants. Water would be required for the control of particulate matter from vehicle traffic. The Department has determined that while the proposed project would require environmental resources of water, air, and energy, the impact would be expected to be minor.

I. Historical and Archaeological Sites

The Department contacted the State Historic Preservation Office (SHPO) to request a cultural resource file search for the project location to aid the Department in the assessment of impacts to historical and archeological sites. According to SHPO's records, there have been no previously recorded sites within the designated search locale. The absence of cultural properties in the area does not mean that they do not exist but rather reflects the absence of any previous cultural resource inventory in the area. Therefore, the Department would expect minor, if any, impacts to historical and archaeological sites in issuing MAQP #4598-02.

J. Cumulative and Secondary Impacts

Potential physical and biological effects of the proposed project 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 proposed project would result in minor impacts to social structures and mores. According to the application, the surrounding area is mainly used for agriculture activities, livestock grazing, and other oil and gas activities.

B. Cultural Uniqueness and Diversity

The proposed project would be expected to result in minor, if any, impacts to cultural uniqueness and diversity. Effects to the distribution of population and the quantity and distribution of employment would be expected to be minor.

C. Local and State Tax Base and Tax Revenue

The proposed project would be expected to result in minor impacts to the local and state tax base and tax revenue. MAQP #4598-02 is for minor changes to an existing facility, therefore no new employment would be expected and therefore, no significant gains to tax base or review are expected.

D. Agricultural or Industrial Production

Impact on local industrial production would expect to be minor, as the facility is already constructed and only a minor increase in production throughput is proposed. Minimal deposition of air pollutants would occur on the surrounding land (as described in Section 7.F), therefore, only minor effects on the surrounding vegetation or agricultural production would be expected to occur. The surrounding area is largely used for agricultural, grazing, and other oil and gas activities. Pollutant deposition from the project would be minimal because the emissions would be well controlled, widely dispersed (from factors such as wind speed and wind direction), and would expected to have minimal deposition on the surrounding area.

E. Human Health

As described in Section 7.F of the EA, the impacts from this facility on human health would expected to be minor because it would be considered a minor source of emissions and the conditions of MAQP #4598-02 would ensure the proposed project would operate in compliance with all applicable rules and standards. These rules and standards are designed to be protective of human health.

F. Access to and Quality of Recreational and Wilderness Activities

The Department is not aware of recreational and wilderness activities in the area which this facility would affect by this proposed project.

G. Quantity and Distribution of Employment

Minor effect to the quantity and distribution of employment at the facility would be expected. As this facility is in current operation and no significant changes in activities are proposed, the impact to the quantity and distribution of employment associated with the proposed project would expect to be minor.

H. Distribution of Population

No significant change in the quantity and distribution of employment would be expected due to the proposed project. Therefore, minor, if any, effects to the distribution of population would be expected as a result of issuance of the proposed project.

I. Demands for Government Services

Government services would be required for acquiring the appropriate permits for the proposed project and to verify compliance with the permits that would be issued. However, demands for government services would be expected to be minor from the current permitting action.

J. Industrial and Commercial Activity

The Department would expect minor increases in local industrial and commercial activity with additional truck traffic associated with the proposed project.

K. Locally Adopted Environmental Plans and Goals

The Department is not aware of any locally adopted environmental plans or goals that would be affected by the proposed project. MAQP #4598-02 would be issued to protect air quality.

L. Cumulative and Secondary Impacts

Overall, minor cumulative and secondary impacts to the social and economic aspects of the human environment would be expected in the immediate area of operation/

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 operation of a crude oil unloading station. MAQP #4598-02 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, Natural Resource Information System – Montana Natural Heritage Program

EA prepared by: Tashia Love
Date: 03/07/2013