

**TO:** Air Quality Board

**THROUGH:** Bryce C. Bird, Executive Secretary

**FROM:** Sheila Vance, Environmental Scientist

**DATE:**

**SUBJECT:** PROPOSE FOR PUBLIC COMMENT: Amend R307-150. Emission Inventories; R307-401. Permit: New and Modified Sources; R307-504. Oil and Gas Industry: Tank Truck Loading; and New Rules R307-505. Oil and Gas Industry: Registration Requirements; R307-506. Oil and Gas Industry: Storage Vessels; R307-507. Oil and Gas Industry: Dehydrators; R307-508. Oil and Gas Industry: VOC Control Devices; R307-509. Oil and Gas Industry: Leak Detection and Repair Requirements; and R307-510. Oil and Gas Industry: Natural Gas Engine Requirements.

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Oil and gas sources make up a significant portion of the emissions inventory in Utah. A majority of these sources are either minor sources, or exempt small sources, under Utah State Rules. Over the past few years, oil and gas wells have made up over half of the minor source permit requests to the Division of Air Quality (DAQ). To provide a more streamlined permitting approach to these sources, obtain more efficiency in the utilization of the DAQ's resources, and gather needed information to oversee these sources, DAQ is proposing several new rules and amendments to a collection of existing rules that regulate oil and gas sources.

The intent of the proposed rules is to improve the permitting, compliance and emission inventory processes for oil and gas sources. These rules are not intended to address current National Ambient Air Quality Standards (NAAQS) within the State, but they are intended to increase efficiency and gather required information to ensure current requirements are being met. The change to a 'permit by rule' for future oil and gas well sites in lieu of issuing individual permits benefits both staff and industry. The 'permit by rule' will eliminate several administrative steps and will save sources the cost of obtaining a permit. Compliance officers for DAQ will benefit because they will go from inspecting individualized permit sites to a more general oversight of all sites that are subject to the same 'permit by rule' requirements.

DAQ worked with stakeholders from the regulated industries and environmental advocates in the development of these rules. Stakeholders were provided draft rules and were able to participate in stakeholder meetings to discuss rule revisions. Staff has taken the time to understand stakeholder concerns and issues and has revised language in response to comments provided through the stakeholder process.

Staff acknowledges that although the stakeholder process provided resolution to many initial concerns, there are still remaining issues of concern to operators in the industry.

Foremost is the potential for retrofits to be required of existing equipment at oil and gas well sites. The proposed rules do not require any retrofitting of equipment for existing sites that have been in compliance with existing rules. Sites that have applied for and received approval orders are excluded from the proposed rules for oil and gas wells. Those that have placed voluntary controls to become an exempted small source may fall under proposed rules for registration and inspections, but will not be required to retrofit with new equipment. Sites that fall under the exempted small source rule due to low emissions from their specific operations should not be required to follow any of the equipment rules and therefore would not need to retrofit.

Another concern is the potential fiscal impact that registration and emissions inventory requirements related to small sources would cause industry. It is DAQ's intent to have the registration and inventory requirements be met through on-line forms that have comprehensive instructions, pull down menus, standard calculations and emission factors provided to ease the impact of meeting these requirements. The rules propose a six month timeframe for existing sources to register with the DAQ and then the registration would be a simple step for all new oil and gas sources to follow prior to beginning operation.

A final concern is that the rules are intended to be applied state wide, regardless of attainment status. Again, these rules represent a change in how the DAQ is approaching permitting of oil and gas wells. The rules represent how these sources would be permitted currently, and the proposed rules for oil and gas wells are based upon the current Best Available Control Technology (BACT) that is being applied to permits being issued currently. BACT is applied statewide for permitting of these sources. Therefore, it makes sense to continue BACT statewide in the 'permit by rule'. The registration rule is statewide to ensure that the DAQ has information necessary to ensure that we are aware of the sources that are present and what equipment and controls they have. The emission inventory is information that DAQ believes is necessary to continue to model air quality impacts and potential exceedances of the NAAQS.

Overall the proposed rule changes and new rules should provide a long term program that is more efficient and productive for both operators and regulatory staff. As the rules represent current permitting BACT, there is no reduction to the protection of air quality in the State.

Recommendation: Staff recommends that the Board propose amended rules R307-150 Emission Inventories, R307-401 Permit: New and Modified Sources and R307-504 Oil and Gas Industry: Tank Truck Loading and new rules R307-505 Oil and Gas Industry: Registration Requirements, R307-506 Oil and Gas Industry: Storage Vessels, R307-507 Oil and Gas Industry: Dehydrators, R307-508 Oil and Gas Industry: VOC Control Devices, R307-509 Oil and Gas Industry: Leak Detection and Repair Requirements and R307-510 Oil and Gas Industry: Natural Gas Engine Requirements for public comment.