WORKGROUP FOR GLOBAL AIR PERMIT POLICY DEVELOPMENT FOR TEMPORARY OIL AND GAS DRILL RIGS

TENTH MEETING

February 4, 2016

Anchorage, Alaska

Present:

Denise Koch, Chair (telephonic)
Tom Turner, Moderator
Dave Bray (telephonic)
Gordon Brower (telephonic)
Tom Coulter (telephonic)
Tom Damiana (telephonic)
Wallace Evans (telephonic)
Don Fremgen (telephonic)
Robin Glover
Deanna Huff (telephonic)
Joshua Kindred
John Kuterbach (telephonic)
Ann Mason (telephonic)
Dave Maxwell (telephonic)
Mike Munger (telephonic)
John Neason
Greg Nichols
Julianna Orczewska (telephonic)
Allen Peck (telephonic)
Laura Perry
Mike Peters, Doyon
Tiffany Samuelson (telephonic)
Alan Schuler (telephonic)
Rebecca Smith (telephonic)
Brad Thomas
Al Turbovich (telephonic)

MS. KOCH: It is after 1:00 so I think that we could get started. I just wanted to quickly welcome everybody back to the Drill Rig Workgroup discussion. Always, of course, keeping in mind our goal of this whole group, if there are any -- for the benefit of other people who are listening, which is to obtain operational flexibility for temporary drill rigs while protecting our quality is our overarching goal.

Our last meeting was October 30th. Most of the -- there was some updates on the whole process given at that October 30th meeting, just because there had been a long hiatus since the prior workgroup meeting. And then kind of the meat of the October 30th meeting was the Technical Subgroup's members presenting some of their consensus work for the North Slope. And the Technical Subgroup was comprised of both industry, AECOM, and DEC members.

And then the main conclusions, in terms of the decisions on the next step, that we came to at that October 30th meeting is we -- project that we were, as a -- as a group, that we were ready to move forward to some policy discussions.

We kind of reconvened the Options Subgroup. There was a decision on membership of that action subgroup that consists of Brad Thomas, representing ConocoPhillips and the Alaska Support Industry Alliance; Joshua Kindred, from AOGA;

John Kuterbach, who's the permit program manager at DEC; and Tom Turner, who is -- works under John in the permit program.

For this meeting, this is also being transcribed. And as Tom mentioned, please, before you provide comments, please state your name so it will be obvious for everybody on this teleconference.

The slides for this presentation of this meeting are really the meat of the presentation. So after -- as the Options Subgroup is going through the presentation, we're going to pause after each slide and provide people an opportunity to ask questions or to have discussion points.

And I think with that, we're probably ready to start with introductions. We can start here in Juneau. I'm Denise Koch. I'm the director of air quality for the Alaska Department of Environmental Conservation.

MS. HUFF: Deanna Huff in Juneau. And I'm a modeler in the (indiscernible) Group underneath Denise and Cindy Huff (ph).

MS. KOCH: I should probably interject. If people who are -- once we're doing the introductions, if people could identify themselves as either being a Main Workgroup member or if you participate as a Technical.....

MS. HUFF: I was Technical -- Technical Workgroup member.

MS. KOCH: .....Workgroup, that would be helpful. Thank you.

THE REPORTER: What was your name?

MR. KUTERBACH: John Kuterbach from the Air Permits Program manager and a member of the Main Workgroup.

MR. TURNER: Deanna Huff.

MS. SMITH: I'm Rebecca Smith with Tech Services Support.

MS. KOCH: Okay. That's it for Juneau. So we could go to Anchorage.

MR. TURNER: We're going to go to Anchorage with DEC, make the rounds and then go to the phone. Denise, before I proceed, clarification. After each slide do you want me just to make the rounds or do you want to just want to do it out of Juneau, for questions?

MS. KOCH: Tom, thank you for that -- for that clarification. This is Denise Koch speaking. And we're going to have Tom Turner act as facilitator. So after each one of these slides, Tom will probably go around to the different locations and prompt to make sure there's no questions or discussions.

MR. TURNER: Okay, great. Thanks. So this is Tom Turner. I'm with DEC Air Quality, Tech Services manager.

MR. MUNGER: I'm Mike Munger. I'm with the Cook Inlet Regional Citizens Advisory Council.

MR. NEASON: John Neason. I'm with Nabors Alaska Drilling.

MR. KINDRED: I'm Josh Kindred. I'm with the Alaska Oil and Gas Association.

MR. THOMAS: Brad Thomas with ConocoPhillips. I'm a committee member, as is Josh.

MR. KINDRED: Oh, sorry. Oh, yeah.

MR. MUNGER: So am I. Main Committee member. Sorry.

MR. TURNER: That was Mike Munger speaking.

MR. MUNGER: Yeah. That was Mike Munger.

MS. PERRY: Laura Perry with ConocoPhillips.

MS. GLOVER: Robin Glover with BP.

MR. TURNER: That's it for Anchorage. We'll now go to the phone starting with anybody in the Lower '48, outside of Alaska.

MR. KUTERBACH: Tom?

MR. TURNER: Yes, John?

MR. KUTERBACH: Could I -- we have a list of the people who have called in and we'll just let Rebecca call out their names and they can tell who is in their location.

MR. TURNER: Oh, I love that. Go for it, Rebecca.

MS. SMITH: Okay. It looks like we have some people who may not have actually dialed in on the system yet so I'm showing Al Turbovich has signed in.

MR. TURBOVICH: Yes, I'm here. And I am in my office

by myself.

MS. SMITH: Okay. Allen Peck.

MR. PECK: I'm with BLM, an interested stakeholder (indiscernible).

MS. SMITH: And are you all by yourself?

MR. PECK: Yes.

MS. SMITH: Great. Ann Mason.

MS. MASON: Yes, I'm in Anchorage with SOR. And I am by myself.

MS. SMITH: Okay, good. Dave Bray.

MR. BRAY: Yep, I'm here in Seattle. And I'm by myself as well.

MS. SMITH: And you are with? For those who don't know.

MR. BRAY: Oh. EPA.

MS. SMITH: Carl or Tom, I'm not sure which, Coulter.

MR. COULTER: Yeah, this is Tom Coulter calling in from BLM and the National Operations Center down here in Denver. And I am by myself, all alone, by my lonesome.

MS. SMITH: Okay. Greg Nichols.

MR. NICHOLS: Yes, this is Greg Nichols. I'm also with the BLM's National Operations Center. And I am at my desk alone.

MS. SMITH: Okay. Dan Fremgen. Was at his desk here in Juneau. He's with DEC. Julianna -- I'm not going to

attempt your last name, because I don't want to butcher it.

MS. ORCZEWSKA: That's okay, thanks. This is Julianna Orczewska with Hilcorp. And I'm by myself.

MS. SMITH: Okay, thank you. Tiffany Samuelson.

MS. SAMUELSON: Hi, this is Tiffany Samuelson from ACOM in Fort Collins, Colorado. Me, along with Tom Damiana, have been supporting the Technical Subgroup in the Jury (ph) Denali Season Modeling for the North Slope and Cook Inlet. And I am by myself currently.

MS. SMITH: Okay. And Alan Schuler.

MR. SCHULER: I'm a DEC air permit modeler on the Tech Support Group. And I'm by myself.

MS. SMITH: And Wally Evans.

MR. EVANS: Yeah. Wally Evans with Hilcorp. I'm on the Technical Subgroup Committee also. And I'm by myself.

MS. SMITH: Thanks. Tom, has anybody else joined you?

MR. TURNER: No.

MS. SMITH: Okay. We just had somebody else join. I just heard another beep.

MR. DAMIANO: This is Tom Damiano.

MR. MAXWELL: Dave Maxwell with the BLM.

MS. SMITH: Okay.

MR. MAXWELL: Hi.

MR. DAMIANO: And this is Tom Damiano.

MS. SMITH: Hello, Tom.

MR. DAMIANO: Yeah, with ACOM. I just dialed in, not on the WebX, so maybe that's the one that showed up.

MS. SMITH: Ah, that could be it. Not Tom. Okay. Is there anybody else whose name we did not hear? Okay, I think that's all. And we'll go ahead and turn this back over to Tom for (indiscernible).

MR. TURNER: Okay. Welcome, everybody. As Denise said, we have an oil and gas PowerPoint. It is on the GoToMeeting. If someone doesn't have the GoToMeeting, it's on our website and it's attachable there. Everything has been posted to the website so minutes, transcriptions, everything is there. We're going to go ahead with the presentation out of Juneau. And then this is going to be interesting facilitation, because we have a whole bunch more people on the phone and it looks like new interested parties. And so after each slide, I'm going to go through Juneau then Anchorage then through the phone. If there's feedback and dialogue, I'll try to pick up what's going on in the room. And people, I just ask to be patient, collect your thoughts and then bring them back up. If that is the case, I would encourage everyone to put their phones on mute so we don't have side dialogues rustling. I'm going to do that in Anchorage and turn over to the presenter for the PowerPoint or to Denise.

MS. SMITH: I'm sorry, Tom. Could you repeat that,

please.

MR. TURNER: I'm going to -- we're going to turn this back over so we can start the presentation to whoever is in Juneau.

MS. KOCH: Yes, that would be -- that would be up to John or Brad who's going first on the presentation, and they'll jump right in.

MR. TURNER: John's going to go first according to Mr. Thomas.

MS. KOCH: You guys -- everybody on the GoToMeeting you can see my screen?

MR. TURNER: Yes.

MS. KOCH: Okay.

MR. KUTERBACH: So the first thing we did at the Options Committee, and you can see our names there on the screen, was to agree upon what our goal was in evaluating options. And after some discussion, we decided that our goal was to recommend technical sound and statutorily approvable approaches that would reduce the current requirements for permitting while still ensuring that the portable oil and gas operations don't endanger short-term air quality standards. To the next slide.

So in achieving -- in looking at that goal, we looked at the Technical Committee's work. We wanted to see, well what those conclusions were. As I understand it -- as we

understood it, right now they -- the conclusions are only valid for the North Slope. We're still waiting on some modeling to be done on the Cook Inlet area so they can then come up with a decisions there. And based on that work, unrestricted drilling, as it's currently happening, compliance with air quality standards, that could operate in a manner that modeling would not predict compliance for.

So given that, we agreed that there needed to be, under statute, some way to address that operation that could possibly violate air standards. So to address it, we looked at -- the main effort that we've been expending on was fuel and exhaust limitations based on the technical work that we've done and reasonable operations scenario. At our last meeting, Brad had presented kind of an outline of what he thought those types of restrictions would look like.

But I didn't want to leave it at just that as the only option we investigate in detail. We had also talked earlier in the process about expanding ambient monitoring and getting away from a modeling approach for these operations, like Wyoming, I believe, does for mining. It uses more of a modeling approach -- a monitoring approaching rather than a modeling approach.

And the other one would be to have somewhat of a quasi permit. Rather than imposing the restriction, (indiscernible) restriction, they would be required, as kind

of a trigger level, that would specify when you exceeded that then you would need to go through kind of normal permitting and modeling for the source specific conditions. Let's get to the next one.

So the Technical Committee looked at all the options, and we are recommending the first option, the one that we had spent the most time and work on, the fuel and exhaust limitation.

And the basis for that is that it has a sound technical basis. We've done quite a bit of technical work to prove that it will do what it says it does. Most of the operations are not going to be impacted by (indiscernible) these types of limitations, because most of them operate well below these limits. It prevents, rather than responds, to air quality violations, like the trigger level might. And there's no need for expensive ambient monitoring or case-by-case modeling.

So with both those combinations of things being believed the most palatable of the various solutions that we looked at. And I can stop right here.

So I'd like to take a pause at this point and go back to slide number three, and have Brad add anything that he would like to add about what we looked at, what our goal was, and open it up for discussion or questions from the rest of the group.

MR. THOMAS: This is Brad Thomas. I don't have anything to add so we can just open it up for questions.

MR. TURNER: Okay. This is Tom. So just so everybody remembers, the formation is the Main Workgroup members of the primary speakers and -- are the ones that we are going to go through first with questions. I didn't hear if Gordon and the DNR rep was on the phone, but I do know Mike is here. And then, Denise, if it's okay, we can open up questions to the group? Okay?

MS. KOCH: So let's see how long the workgroup members kind of discussion takes and maybe we could adjust based on that, but let's start with any workgroup member's comments or questions at this point.

MR. TURNER: So I'm going to start actually in Anchorage. Mike's -- you know, mungling (sic) up to the microphone. So go for it, Mike.

MR. MUNGER: Hi, Mike Munger with CIRCAC. It seems like a practical approach, and I'm anxious to hear a little bit more about that. I will throw out the question right now, though, and I don't who can answer this. But when are plans -- what's the plan for the beginning of modeling in Cook Inlet? Which I'm, of course, very interested in.

MR. THOMAS: This is Brad Thomas. It has begun and these changes are occurring within ADEC right now. And we suspect the modeling to be concluded within six weeks or so.

How long it will take ADEC to complete their review, I don't know. So I'll let Alan Schuler or Denise or Don speak to that.

MR. MUNGER: Okay, thank you.

MR. TURNER: For the record, Gordon, Main Workgroup member, has joined us. Welcome, Gordon.

MR. BROWER: (Indiscernible -- away from microphone.)

MR. TURNER: Okay.

MS. KOCH: And then, Tom, I had received an email from Corri from DNR. She had, I believe, legislative testimony she had to do today so she was not going to be able to join us.

MR. TURNER: Denise, do we want to give Gordon an opportunity to catch up? How would you like to proceed?

MS. KOCH: I think -- I think we do need to catch Gordon up. I think that would be very important. John, I don't know if you could recap for slides three and four, please, so Gordon has an opportunity to respond?

MR. KUTERBACH: Okay, Gordon. So actually I'd love to go back to slide number two.

MR. TURNER: It's the one on the screen here.

MR. KUTERBACH: We looked at the goals for the Options Committee. And we decided the goal was the recommend the technically sound and approvable approach that would reduce the current requirement, but still protect air quality.

And based on the technical work that's been done this far, we have general agreement that unrestricted drilling on the North Slope, as it currently occurs, compliant with air quality standards, but could operate in a manner that modeling would not show compliance for. So we needed to address that possibility.

We looked at three possible ways of doing it. Our first way was looking at fuel and exhaust limitations based on the technical work that we've done, just kind of modeled on what Brad had presented at our last meeting as a way we could move forward with changes to permitting.

Two other ones that we discussed briefly in the Options Committee were expanding ambient monitoring and reducing permitting by relying on the ambient monitoring or using a registration and fuel use record as a trigger for case-by-case permitting at higher levels than we was currently the case. Go to the next page.

So then given the various factors, the Options Committee concluded that we should recommend the fuel and exhaust limit, kind of modeled after what Brad had presented, because they have the sound technical basis. Most of the operations are well below these limits so that the actual limits aren't going to affect the day-to-day operations that significantly. It will prevent, rather than respond, to a potential air quality violation. And we can

avoid additional expenses, monitoring or the time consuming and expensive case-by-case modeling that the other approaches would fail.

And now we're taking questions and comments from the workgroup members on the presentation to this point. Mike had just asked about the Cook Inlet area since we haven't had the modeling. Brad indicated that there is modeling going on there. And I'd like to pass the baton to Alan Schuler, who is on the line, to say where the State is in that process and what the State's timeline would be.

MR. SCHULER: Yeah, this is Alan Schuler with DEC. What we're actually waiting for is the (indiscernible) to submit the modeling. In a brief, Brad said that timeline is about six weeks. So once we receive it, we'll have to review it.

MS. KOCH: Okay, thank you, Alan. Gordon, I want to make sure you have an opportunity to ask any questions or have comments on anything that has been stated so far.

MR. BROWER: I don't have any comments right now or any questions. But it's pretty interesting to see what the findings are starting to look like.

MR. TURNER: Denise, do you want to entertain questions from interested parties or anybody on the phone?

MS. KOCH: I would like to hold off on the questions from interested parties until we're at the end of the

presentation.

MR. TURNER: Okay, thank you. Then since the workgroup members have spoke, it's back to you, John.

MR. KUTERBACH: Well I hate to be the only one presenting, because this was a joint effort among all of us, not just -- not just the DEC saying.

But then looking at the recommendations for imposing these limits, then we need to look at what vehicle should we use to actually put that obligation on the portable oil and gas operations.And we came up with three possible ways of doing that.

The first thing we could do is we could just put those limitations directly into a regulation. And, you know, it would just be written into the regulation. There wouldn't be any application or permit, per se. The operations would just have to comply with it and we would have to send inspectors out to spot check to make sure they were.

The other thing that we could do in regulation would be to adopt the permit by rule. This is similar to the direct regulation, but it would have kind of a notice component where the permittee would basically register that they are operating under the permit by rule. So it's very similar to the direct regulation, but it provides a little more information for the department.

Another (indiscernible) being very similar, had some

of the similar characteristics. First, they would have to have a regulation project, which can take six to nine months or even longer depending on the priority, the Department of Law, and the Governor's Office, and the Commissioner's Office. Neither of those would have an application. They are -- since they are in a regulation, they would be difficult to change once they were set and you'd have to go through a whole new regulation process, which can be a good thing or it could be a bad thing. It's good if it, you know, they're not changing frequently or source by source. But then if we find that there's need for changes, it's more difficult to make those changes.

One of the big factors on this is since the regulation of portable oil and gas operations is part of our state implementation plan approved by EPA for protecting air quality, the regulation change, if necessary here, would be a change to that plan. And, therefore, it would have to be approved by EPA as a SIP change, a state implementation plan change. And there's a fairly extensive process for getting SIP changes. It has to be published in the Federal Register. And there's certain requirements as to what we have to submit.

The other way we could impose these limitations is using our current regulations in our current authority to issue permits. We could issue a general permit. This can

be issued under the current regulation. It would still require drafting something out, putting it out to public notice, taking public comment, and finalizing the general permit, just like the minor general permit number one that most of you would be familiar with for exploratory drilling. So this would be a new minor general permit. It does require an application for the permit, but it doesn't require case-by-case review of the operation like the current permit system does.

As long as your application is complete and your operation meets the qualifying criteria, it gets issued when we receive the complete application. Okay?

It's relative easy for us to update that. We do have to run the public comment process, but we don't have the Department of Law regulations review. It doesn't have to be filed with the Lieutenant Governor. The Commissioner doesn't have to sign off on it. There are a lot of administrative requirements that are at the -- well basically at my level to issue the permit. So it's quicker to change.

The other advantage is that it does not change our state implementation plan. We already have in our state implementation plan that we can issue general permits and for minor general permits. So this would just be exercising that option under the already approved plan. So there's no

EPA SIP approval, no Federal Register notice, none of that.

The one fly in the ointment would be that because our technical analysis used some non-guideline modeling techniques, we are obligated under federal regulation to have that use approved by EPA. But that use is not something that's published in the Federal Register. It is a decision -- formerly, it was done at Region 10, but they just recently lost their modeler and they now have to go to North Carolina to OAQPS to get approval of that. Dave Bray can speak, hopefully, to how that's working right now. That's what we're waiting on as far as the North Slope modeling is for OAQPS to approve the use of the PDMRM technique for NOx model. Did I get that right, Alan?

MR. SCHULER: You did. Very good job.

MR. KUTERBACH: Thank you.

MS. KOCH: So this is Denise Koch. John, I was wondering if you could speak to, in a general timeframe, talk about some of the steps associated with an EPA approval for a SIP change if we wanted -- with the direct regulation or permit federal approach versus general permit where EPA's scope of approval is a much narrower approval to just a modeling method. And, therefore, I would assume that it would be a much faster approval process. But I was wondering if you had any general estimates of how long it takes to do -- the EPA to do SIP approval changes versus

modeling. Or maybe that's something that Dave Bray could speak to.

MR. KUTERBACH: Well, I don't want to put Dave on the spot speaking for modeling. Modeling -- or even the SIP changes. The SIP changes can take a long time or they could take a really short time. It depends on the motivation at EPA and, you know, the importance of the change. And, quite frankly, our prioritization of what we want them to work on. So I'm going to let Rebecca give a sense of some of our stationary sourced SIP changes and how long it takes.

MS. SMITH: This is Rebecca Smith. I work with the SIP folks at EPA in Region 10. Some of the more recent changes that we sent to them have gone through their system in less than a year. Some of them about six months from when we submitted to them to when they've gone out to the proposed approval and the Federal Register and then all the way through the -- the final approval and being affected. They have caught up on their backlog of our approvals and so I think that they are trying to be more prompt at getting through our approvals. And I know that they have another lump of things that have just been approved and another big crunch of packages. And so I would think that it might not -- you know, it wouldn't take six years like some things have in the past. On the other hand, they are also short staffed so I can't speak to their staffing issues.

MR. KUTERBACH: And the priority right now for Alaska has been in SIP approve -- what's the highest priority for this?

MS. SMITH: I believe that the highest priority ones, at this point, are ones that have come out of the Nonpoints Search Group. And certainly they will be getting some more of those, they're the Fairbanks area PM 2.5 issues, submitted to them fairly soon. And that, I believe, is probably a highest priority both for EPA and for the department. I believe that the other ones that are there from the permitting side are much more minor and a much lower priority both for the department and for EPA to get to. But they have been trying to be responsive about getting to things now that they have gotten through a large number of approvals that were in the backlog system.

MR. TURNER: Just one comment. This is from Tom, John. My experience also with that is if it's a clear -- just a regulation change, like the fees, they go through fairly quick. If there's some type of technical background behind it that is causing the SIP to change, EPA reviews that a little bit with more scrutiny, because it's not as clear why we're doing it. So a lot depends upon the technical basis behind or if it's just simply a regulation adjustment. Okay, thank you.

MR. KUTERBACH: And this is John, again. Denise, you

asked about -- well what about the modeling approval? And that's going to be hard to answer. And I'm going to, again, kick this to Alan, because previously when Region 10 had a dedicated modeler, you would deal directly with that person and it was quicker. Now they have to get some interface from OAQPS. They have approval for a modeling position to hire an experienced modeler. I don't know where they are in that process of hiring a modeler. But, Alan, do you have any idea of how long approval of PVMRM would probably take?

MS. SCHULER: Well, yeah, yeah. This is Alan. The other factor that's here is that in December of 2015, EPA Headquarters issued guidance saying that the regional offices have to touch base with EPA Headquarters before issuing these types of approvals. And this is a change from long past practice. And we're tied up on that is well is this supposed -- you know, the Region 10 is missing a dedicated modeler, plus there's this new requirement to go through EPA Headquarters as well. I have been talking with Dave Bray of Region 10, who's (indiscernible) has a request right now in the meantime and he was checking with (indiscernible) EPA Headquarters in timeline. And I'm going to punt to Dave now to see did they give us a timeline?

MR. BRAY: No, they haven't given me a timeline. I checked in with them again today and they have so much stuff on their plate back there with national rules and Appendix

W, you know, process to get that finalized. But they're really not being as responsive as I was hoping they would be. And I really -- you know, I can't really see that there's going to be, at the end of the day, any problem with using PVMRM for this modeling, but, you know, we are a little bit handicapped right now in the normal process of getting headquarters' approval. So I am going to keep on them and I'm going to hopefully get something from them here shortly. And so I would not -- I mean from my perspective, I would not slow down the process that you guys are in, in getting to a final decision on, you know, what you want to do for, you know, this project, because I don't think the PVMRM is going to be an issue at the end of the day.

MS. KOCH: This is Denise. And I appreciate everybody's comments on, and answering my question, that satisfied what I was asking about. Still wanted to open it up to other workgroup members.

MR. KUTERBACH: Well I'd actually like to kick it to Brad to get his perspective on these options for (indiscernible).

MR. THOMAS: John, you articulated it fairly well. The direct regulation or permit by rule option is more lengthy in time than the general permit option. The general permit option also has the flexibility to adapt to changes in the way drilling might occur. Because right now we're

looking at drilling in terms of diesel fuel use only, but there could be, at some point, gas fired rigs that require another regulatory approach. So the general permit option has the flexibility to accommodate that. So beyond that, I think you covered it fairly well. Josh, do you have anything to add?

MR. KINDRED: No, nothing.

MR. TURNER: Denise, anymore comments from the Chair or Juneau?

MS. KOCH: This is Denise. No, I don't have any other comments, but I did want to make sure that other workgroup members had an opportunity to comment or to question here.

MR. TURNER: Gordon or Mike? I'm getting body language that says no. So we will move to the next slide. John, to you unless.....

MR. KUTERBACH: Okay, Tom, before we move to the next slide, I just want to poll the workgroup members to see whether we're in agreement that the general permit approach is the way we want to move forward with imposing these sort of limits. And for me, John Kuterbach, I say, yes, general permit is the way to go.

MS. KOCH: This is Denise Koch. It sounds like the Options Group is in agreement and in consensus on the general permit being the approach to -- best approach to move forward (indiscernible) that's why we formulated that

subgroup. So I would say, yes, I'm happy with moving forward with a general permit approach.

MR. TURNER: Anchorage?

MR. THOMAS: This is Brad Thomas. I concur.

MR. KINDRED: This is Josh Kindred. I concur as well.

MR. THOMAS: Gordon?

MR. BROWER: Well I'm just listening to everybody concurring. I think it's -- you know, it's important to note, you know, that we just not try to simplify it, but find ways that really work the best. And if that's the consensus, I would concur with that as well.

MR. MUNGER: This is Mike Munger. I like the general permit concept just because of the flexibility built into that. I don't know much about it yet, but I was -- from what I see so far, I concur with what the Options Group came up with.

MR. TURNER: I think that's all the members.

MR. KUTERBACH: Okay. So then we can move to the next slide. And, Brad, I'd like you to take the lead on this slide since it's really kind of based on what you had drafted earlier. And you can maybe expand on some of the points like the identification of planned drilling.

MR. THOMAS: Okay. This is Brad Thomas. The general permit approach would be one that has to be defined, of course, through the draft general permit process.

But one of the thoughts that we had was that we could make it as simple as at the beginning of the calendar year, identify the drilling program for that year, specifically the number of wells that might be drilled, and put those in an application. Pay fees based on the number of wells. And submit that application and be authorized to drill that first well.

And if there's a change to the drilling plans for that year, have a mechanism in place to amend the original application to accommodate the change and pay any fees that might be associated with the change. And specifically the change we're talking about is if we drill primarily more wells than what we had planned. And the permit would then authorize that drilling. Of course, it would require that you stay within the daily fuel thresholds and keep the daily records to demonstrate that compliance.

And we still have to work out what the reporting might be, if any. And there would be some. At least we'd have to report any deviations, for sure.

That is very simply, conceptually, what the general permit would do. It's not -- it's just very simplified from where we are right now with the minor source specific permitting program with the Title V program. It's very similar to the minor general permit one. That was kind of the basis that we built from. John, did I miss anything?

MR. KUTERBACH: No, I think -- I think that and the slides gives kind of the outline of what the general permit would look like. I mean the clear -- the clear thing is the applications could be real simple. It's going to just say what are you going to do, calculate the fee, pay the fee, and sign on the line that says these things are going to comply with all the limits that are in the general permits. And that's pretty much it. Once we get the -- that complete application then the general permit becomes effective for the operations of our.....

MS. KOCH: This is Denise Koch. I have a question about -- I understand and appreciate the intent to have this simple application. And as like Thomas had mentioned that the -- you know, maybe at the beginning of the year or some sort of logical time, industry would have an application that covered a number of different planned drillings. When items change or -- how would that be handled through the application process? I mean more specifically in -- not that it's a new drill rig going to a new pad, which may lend itself to another application, but it's the same drill rig that's already been identified on the same pad that maybe they're going to be there longer. How would that -- that change -- extra change be accommodated?

MR. KUTERBACH: Okay. We -- obviously, all the details have to be worked out when we draft up the actual

general permit and the implementation of it. With general permits, as long as the modified operation will still comply -- will still meet the qualification criteria for the permit, it would be basically a notice and an additional fee payment type of -- essentially another mini application for the change and submit it and then it's approved as long as the total operation still fits within what the general permit specified.

MR. BROWER: I've got a question.

MR. TURNER: Gordon has a question in Anchorage.

MR. BROWER: I just want to get a little bit more understanding about the concept of a general permit. And just put it in context with the borough has its own general permit to issue a Corps of Engineers Driveway Fill Program. And I'm thinking it's something like that. And we administer it for the Corps of Engineers. And it's just a very simplified way for folks that want to have gravel to have their driveways. They come to our office, pay the fee, and we issue them a permit with restrictions on the amount of gravel that you can place by cubic feet, provided they meet a certain specification of amount and you're in compliance with that. And then we report that, the borough then reports that to the Corps of Engineers under the 404. Is that the type of concept that we're looking at here, a much more simplified -- because there are no real threshold

levels that, I think, the drilling program will exceed. Even if you maximized for a long period of time with consumption of fuel, your modeling still says you're within these parameters. So the concept of a general permit, I think, seems, you know, viable and able to function in that way.

MR. THOMAS: This is Brad Thomas. Yes, very similar. The qualification criteria would be basically a commitment to operate below daily fuel thresholds, because those thresholds are where the modeling show the ambient air quality standards are affected. So if you qualify for that by committing to that, you're qualified for the permit. And you notify the department how many wells you're going to drill that year under those limits and pay the fees that are based on the number of wells. And if the application is complete, you're authorized to operate.

MR. BROWER: Here's my question. Say that a certain drill rig is granted that and it's got its permit operating on a general permit, will it be for a specific location or will it be statewide?

MR. THOMAS: That -- this is Brad Thomas again. That's a question that did come up. And my preference would be that the permit would be for an owner/operator. So ConocoPhillips would apply for the permit, the general permit to cover the drilling program in the Kuparuk River

Unit. We might do it separate for the Alpine River Unit or we might put them both on the same application and get coverage under the general permit for the entire drilling program for both fields. It would be for a drilling program based on a number of wells rather than for specific pads or for specific rigs. Does that make sense?

MR. BROWER: Yeah, I just got to flush out a little bit more, I mean, but I think it's -- you know, the flexibility issue of being able to go somewhere else when the need arises, because I see sometimes, you know, rigs are -- become open.

MR. THOMAS: Yes. And this is Brad Thomas speaking again. If a rig became available and we'd had the opportunity to drill more wells than what we'd planned for that year, we'd have the amendment process to amend the application, submit that to the State, and pay any additional fees that might be required, and be authorized at that point then to drill that additional well because of the additional rig availability.

MR. BROWER: I think just we need to understand a little bit more. It seems like once you get issued a permit, because there are mobile drill rigs, you should be allowed to operate within the state whether it's the North Slope or Kenai or.....

MR. THOMAS: Yeah.

MR. KUTERBACH: For the State viewpoint, and we'll get into some of the technical details that still remain to be hammered out a little bit later, but from the State viewpoint, as long as the operation would still comply based on the technical analysis that would -- you know, if the operation fits within the contemplated operations and the technical analysis, we don't see a problem with it being applicable to broad areas. Obviously, the State has an interest in knowing where the drill rig is operating in any given time for purposes of inspection, the inspector wants to come by and verify it. Also it would allow us to identify drill rigs that are operating. We're not a permitting committee. Maybe some of us didn't get their permits for the drill that's operating. We could check and find out, oh, they never got the general permits for that operation. So as far as location, that's the main concern of the State is that we know where the permitted sources are operating and at (indiscernible) general concept of the modeling that we've -- that was done. So that if there's something special about an area that we make it -- any analysis would no longer be valid for that operation. So that was kind of the technical (indiscernible) from the analysis of the Technical Committee to work into the -- for the application permit.

MR. TURNER: Mike, did you have a question?

MR. MUNGER: Yeah, this is Mike Munger. Regarding the permit itself, under the general permit concept, it requires operations to comply with applicable fuel limits. From the State's perspective, how do you certify how much an operator is using? Is there a -- some kind of a certification of the gallons per minute, gallons per hour gauge from the operators or is it relying solely on the operator's good faith to say we're operating under that applicable limit or is that -- or has that been completed, I guess, gone over yet and decided which way you guys were going to do? And is this still subject, and I know the State is in with everybody else right now is pretty strapped for cash, would this be subject to random inspections or what's the process there?

MR. KUTERBACH: Okay. Well for the first part, that's an ongoing technical discussion as to how accurate should the monitoring be. We kind of buy the Ronald Regan viewpoint of trust, but verify. So we don't just accept the -- we want some actionable measurements behind the statement that they're complying. As far as random inspections, the permit fee, we'll collect the -- an amount that will allow us to do routine compliance evaluations that will include periodic evaluation of the drilling operation. The exact frequency and extend of the inspection would remain to be determined based on the monies that we actually collect and,

you know, staff that we have. It's part the -- part of our important scheme. Right now, minor permits, unlike major facilities, don't have a federal inspection schedule requirement. Right now we do a full compliance evaluation on every major source once every other year, and we do it with onsite inspections at a certain frequency depending on what they are. It has to happen at least once every five years by the federal. We do it more frequently for oil and gas sorts right now. Minor sources aren't subject to that federal inspection schedule, but we do have a goal of programming then in to have a compliance evaluation periodically, which could be just a record evaluation. And then onsite inspections, we target once every seven years for the stationary sources. We'll have to decide what the appropriate frequency will be for drilling operations. But the counterbalance to having a lot of random inspections is that these limits are considerably above what we would expect the drill rigs to operate at in the normal force of (indiscernible). So the likelihood of them exceeding it might be -- might preclude us from doing a randomized evaluation and maybe more of a targeted inspection scheme where we know that there's intent of operation going on in a certain area. Maybe those would be the ones that we'd want to inspect rather than -- rather than doing it randomly since we expect the vast majority of folks to operate under

these limits under normal circumstances.

MR. MUNGER: Thank you.

MR. TURNER: No more questions from committee members in Anchorage that I am seeing. Brad, do you want to do the next slide?

MR. THOMAS: Well this is Brad Thomas. And so we laid, out in the previous slide, the conceptual approach, you know, the high level general approach that we propose to take. And there are a number of details to work out. And, Mike, you brought one up. We're going to have to work through the monitoring. There is some precedence that we rely upon to build into the program for that and so we're hoping to build on that.

DEC has to decide what the appropriate fee amounts are and how exactly to apply those, what units per well, per year, whatever.

We also have built into the modeling -- you know, we have daily fuel volumes beneath which we're expected to operate. But the modeling shows that those can be exceeded up to a certain point, a certain amount of time each year. So we would like to build that into the program as well. And I think the daily fuel thresholds, and I'll just use an isolated pad for example. The daily fuel volumes that can be consumed is about 14,700 gallons in an isolated pad. In the modeling, we found that you can go about 25 percent

above that once every five days and still demonstrate compliance with the ambient standards. So we'd like to build that flexibility into the program as well so that for those drilling operations that need, got additional fuel for those small amounts of time, that's accommodated. So that's a technical detail we're working through as well. And the slide went away.

MR. TURNER: Sorry.

MR. MUNGER: Just for an educational -- this is Mike Munger again. Just for my education, and I've got a drill rig guy sitting right next to me, would that be typically if you're tripping pipe or something and you need that extra horsepower?

MR. NEASON: Oh, not necessarily. You know, in the typical drilling operation, you consume just as much fuel when you're tripping pipe and -- as you are when you're drilling a head. But I was thinking that it might be ancillary equipment on the pad for the other various.....

MR. THOMAS: No, actually I think it would into -- this is Brad Thomas. It would come into play mainly -- we've got four different categories. We've got isolated pads, routine drilling, and developmental drilling and isolated pads. And by isolated, I mean they're not on the same pad as a major operating station or facility.

MR. MUNGER: Right.

MR. THOMAS: So there's two different types of drilling on that -- they can have on that pad. Routine drilling, which is drilling that occurs for less than 24 months; and developmental drilling where the rig will stay there for 24 months or more. The fuel volumes at the isolated pad, I think are the same independent of whether it's routine or developmental drilling. But when you get onto the co-located pad where you have that major stationary source on the same pad as the well line, an example is our Alpine CD-1. There, whether you're doing developmental drilling or routine drilling, the daily volumes are different. And they're small.

MR. MUNGER: In that particular instance would you have a production facility on the pad, too?

MR. THOMAS: Yeah.

MR. MUNGER: Is that the -- okay.

MR. THOMAS: So on those pads, if you get into developmental drilling, you'd be down around, I think, 9,000 some gallons per day as your daily fuel volumes that you could be expected to operate under. There could be circumstances where a company might need to go above that. And I can point to Point Thompson as an example where they did go slightly above 9,000 a couple of times. So they -- and I'm not sure why they had to do that.

MR. MUNGER: Because of the co-location or just

because of the size of the drill rig?

MR. THOMAS: The number is low. It's 9,000 rather than 14,000 because of the co-location, yeah.

MR. MUNGER: Okay.

MR. THOMAS: They've got to be the main area where the probe would be needed. And like you said, for the 14,700 gallons, why would you need to go over the 14,700? I can't imagine, but who knows?

MR. MUNGER: Okay.

MR. NEASON: That's a lot of fuel.

MR. MUNGER: That's a lot of fuel. Thank you.

MR. TURNER: Denise, for the record, we're back in the GoToMeeting.

MR. THOMAS: Okay. So to continue, other details to work out. What notifications have to be submitted? Of course, we'd have to do the initial notification to, you know, to qualify for obtaining the permit. And we talked about notifications for any changes to the drilling program that we initially said that we were going to conduct. So that notification process, this is a minor detail but it still has to be worked out. And we talked about the monitoring methods. There's an expectation that there would be daily records kept. And we have to work through what is the reporting. And at least, you know, we would expect there had to be deviation reports. And that last bullet

deals with amendments, of course.

MR. TURNER: More questions in Anchorage? Questions from Denise? Last slide -- two more slides.

MR. KINDRED: Are they still on the phone?

MR. TURNER: No, we lost them.

(Pause. Redialing telephonic participants.)

MR. TURNER: Let’s try this again. My apologies.

(Pause. Redialing telephonic participants.)

MR. TURNER: We’re going to have make you read back the transcript. Can you do that at all? Let me know, Gloria. Denise?

MS. KOCH: Hi.

MR. TURNER: All right. So we lost the -- we got the PowerPoint on screen, but then it took a bit to get the audio. So we have the audio on screen. There was a dialogue that took place with Brad explaining -- and if you -- can we read it back at all? No. So, Brad, see if you can sum up where we left off.

MR. THOMAS: Where did we stop?

MR. TURNER: We were talking about -- the last I heard was on the -- go back to slide six, reconfirm here, we were talking about -- no, it’s slide seven. My apologies. And we were talking about notifications. So that was the last time I had checked off.

MR. THOMAS: Okay. Well the.....

MR. KUTERBACH: Tom, this is John. He dropped off right after talking about the excursions.

MR. TURNER: Oh, okay.

MR. THOMAS: That was a long time ago.

MR. TURNER: Well you're going to have to do it again. We have it for the record for what took place in Anchorage, but let's continue for the group to continue with excursions.

MR. THOMAS: Okay. Additional details that need to be worked out within a minor general permit would be what notifications have to be submitted. And, you know, the discussion there was around, of course, the initial notification, notifications of amendment, notifications of deviation. We are working out -- we'll need to work out the ways of monitoring daily fuel use. And I mentioned that there's precedent in previous permits that we can rely upon to build on that. We have to specify the daily recordkeeping, location, times the records have to be kept, and the routine reporting that might have to occur. And the last bullet on the slide, it's -- that's the amendments that we were talking about. If you change your drilling program -- again? And we are having major technical difficulties.

UNIDENTIFIED FEMALE: We lost the phone, too.

(Pause. Redialing telephonic participants.)

MS. KOCH: Hello?

MR. TURNER: We lost GoTo again.

MS. KOCH: Yeah, I know. I'm working on getting it back. I don't know what's going on.

(Indiscernible -- trying to reconnect to GoToMeeting.)

MS. KOCH: Is that the teleconference?

UNIDENTIFIED MALE: Yeah.

(Indiscernible -- trying to reconnect to GoToMeeting and multiple speakers at the same time.)

MR. TURNER: Rebecca?

MS. SMITH: Yes?

MR. TURNER: Call me when you're hooked up and we'll re-hookup again. The joys of technology.

(Pause -- trying to reconnect to GoToMeeting.)

UNIDENTIFIED FEMALE: Mike is there, right?

MR. TURNER: Yes.

MR. MUNGER: Mike is here.

UNIDENTIFIED FEMALE: Okay. Oh okay, good.

UNIDENTIFIED MALE: So it's not his fault.

MR. TURNER: So we -- you know, Denise, we have the workgroup members. What we don't have is the interested parties ability to hookup. If we need to, we could proceed. There's only two slides left. I can pull it on screen from my webpage and you can pull it on screen from your webpage. Unfortunately, we won't be able to include the interested parties. But I don't know if we can do much about it if

GoTo keeps blowing out on us.

MS. KOCH: Okay. I think that's how we'll have to proceed. And then for the interested parties, they do have copies of the -- the presentation is available on the web so they'll have everything.

MS. SMITH: I need to go call into the thing.

MR. TURNER: All right. So, Rebecca, why don't you quickly send out an email to the interested parties that they're going to have to look -- I don't know how they can listen in.

MS. SMITH: Well they can't.....

MR. TURNER: All right.

MS. SMITH: .....once they call into the thing. That's the only way to listen in, because we didn't setup any other audio options. The audio conference happens every time that GoTo does. So I -- do you want to just (indiscernible) phone back into the thing and see if we can make this work?

MR. TURNER: Let's try it one more time.

MS. SMITH: Okay.

(Pause -- trying to reconnect to GoToMeeting and sidebar personal conversations.)

MR. TURNER: Are you off record?

THE REPORTER: No, we are not. So the transcript is going to reflect a sidebar conversation.

MR. TURNER: So are we recorded with the sound -- with this? I mean are these dialogues about solar flares.....

THE REPORTER: All the dialogue is there, but the transcript will not reflect it.

(Pause -- trying to reconnect to GoToMeeting.)

MR. TURNER: Denise?

MS. SMITH: No. She has just walked out to see about finding her code. If this dies again, maybe just having people call in through the GCI number, but.....

MR. TURNER: We have -- it sounds like we can call in, we just don't have audio screen. I just called in the 800 number.

MS. SMITH: We could.

MR. TURNER: Why don't we go off record then until we solve this?

THE REPORTER: Okay. We're off the record at 2:09.

(Off the record at 2:09 p.m.)

(On the record at 2:15 p.m.)

MR. TURNER: .....nods of heads in Anchorage. Brad, are you satisfied with excursion discussions?

MR. KUTERBACH: Tom, this is John.

MR. TURNER: Yes.

MR. KUTERBACH: The last thing that we were starting to talk about when you went down was adding and deleting authorized operations.

MR. TURNER: Okay, great.

MR. THOMAS: So this is Brad. To pick it up on that last bullet point, the adding or deleting of authorized operations merely is the amendment process. So we will have submitted the drilling program plan at the beginning of the year to get the initial permit and then, if more wells need to be drilled or fewer wells need to be drilled, this is the amendment process we'd have to follow. And that we'd expect to be part of the minor general permit.

MR. KUTERBACH: Could I ask -- this is John. Could I ask that the Anchorage folks move closer to the mic? It's a little soft.

MR. THOMAS: I normally don't get that complaint.

MR. TURNER: Wrong mic. It has to be this one.

MR. THOMAS: Oh, okay. Did you hear what I said, John? Should I repeat it?

MR. KUTERBACH: Yes, if you could repeat it. Denise has come back and she'd like to pick it, too, I'm sure.

MR. THOMAS: Okay. The final bullet point on slide seven deals with the amendment process. So we'll have submitted, at the beginning of the year or before the first well is drilled in a year, information on the annual drilling program. And if we add wells or delete wells sometime throughout the course of the year, that last bullet point merely deals with the amendment process that would

have to be written into the program. So that's just a detail we have to work. And it's not one that I expect a lot of difficulty with.

MR. KUTERBACH: Yeah, this is John. The (indiscernible) course is going to be contingent on what we're requiring in the details of the application content as to what we need for modifying the covered operations. So it kind of flows in from that first bullet point to the last.

MR. THOMAS: Very good.

MR. BROWER: I've got a question. Adding and/or deleting authorized operations and looking at that as an amendment process. It seems to me that once you're authorized to proceed, you go ahead and adjudicate your project. And that means you're drilling, you're authorized to operate and receive contracts from any oil company, you know, be it (indiscernible), be it Exxon or Chevron, and you'd have this permit. So is it you're operating under a general permit guidelines. Isn't that broad enough to allow the drilling campaign to proceed, as you receive your contracts, as long as you're not exceeding or going past these excursions? I don't know if that's part of the amendment is to go and -- that you'll have excursions limited to five times the operational period or something?

MR. THOMAS: Yeah, this is Brad. The amendment process dealt with by that last bullet is not to deal with

excursions, but rather to correct the number of wells that will be drilled in that year. And the interest for the State, I believe, would be to make sure that the appropriate amount of fees have been paid, if there's going to be a lot more wells drilled, but also to ensure that their people, their inspectors, know where the rigs are so if they want to go out and visit them, they can. So that would be -- that's the way I see it. And, John, you can add to that if you need to.

MR. KUTERBACH: Yes. And also the concern that we're not adding something that the general permitting didn't intend (indiscernible -- lowered voice).

MR. BROWER: Just trying to get a little more clarity.

MR. TURNER: Anymore questions from the group? We'll proceed to slide eight.

MR. THOMAS: Do you want me to do this one, John?

MR. KUTERBACH: Sure.

MR. THOMAS: Additional considerations. You know, in the previous slide we talked about technical details we can predict need to be worked for sure. But the additional considerations are things that we want to continue talking about. The first bullet, operation outside of the North Slope. We've talked about that. That would be the operations in Cook Inlet for which the modeling has yet to be submitted and the daily fuel thresholds agreed upon. So

that's more work to be done.

We talked about, and we'll need to talk about, how we handle application of this general permit within a Title V or PSD major source. We don't expect -- and I'll speak for myself, I don't expect that to be a complex or difficult thing to scrub. You know, if we operate a drill rig within a Title V source, for example, that Title V source's permit has to have all applicable requirements. So one of the things we discussed was adding to that stationary source's Title V permit, perhaps a general requirement to comply with all general permits issued for operations on the source. The PDS major source operations, so if we move a drill rig onto a PDS major source, an example would be Alpine CD-1, what are the considerations we need to take into account there? And we've already started that, perhaps even taken it fully into account, by lowering the daily fuel volumes allowed because we're on a co-located pad, for example.

The third bullet on the slide, how to address operations which do not qualify for the general permit. As an Options Group, we have to make sure that we have our hands stacked on that. And, you know, an example approach to handling operations that do not qualify is merely keep the existing permitting program in place to cover those. And that seems like the simplest thing to do really.

The fourth bullet, John's already talked it. You

know, the use of the plume volume molar ratio method requires approval from EPA and that's in process.

And the final bullet, of course, is to open up the discussion for next steps. Is this the last slide, Tom?

MR. TURNER: Yes, it's the last slide.

MR. THOMAS: Okay. Well.....

MR. TURNER: There's a slide of contacts. The last slide was contacts.

MR. THOMAS: Okay.

MR. KINDRED: This is Josh. I was just going to add, particularly for Mike's benefit, although we're still in the process of doing modeling for Cook Inlet, I think at least theoretically or academically we're assume that a program that we're going to use on the North Slope will be substantially similar to what we use at Cook Inlet, with the exception that the daily fuel use number is going to be different based on what the modeling is. So we expect that, at least early on in this process, that the fuel limits will be lower, but we're thinking, the Cook -- this framework will be the same for -- that will apply to Cook Inlet once we've got those numbers to get set.

MR. TURNER: So any questions from Anchorage Workgroup members?

MR. BROWER: Well next steps in the -- that's what I'm wondering where we're going to lead this dialogue to now or

is there more technical information in a plan that needs to be developed?

MR. THOMAS: This is Brad. Tom, can you go back to the previous slide?

MR. TURNER: Slide eight?

MR. THOMAS: Yeah. Slide eight are things, I believe, that the Options Group, you know, that we have to discuss to make sure that we're comfortable with how the program is going to proceed. Slide seven, the slide before this, those are details we can work within a general permit process, so we can work those as the general permit is drafted and through the public comment period. But if you'll go back to slide eight? These appear to be things, John, correct me if I'm wrong, that we should discuss as an Options Committee to make sure that we're all in agreement with these bigger picture items.

MR. KUTERBACH: Thank you for opportunity to correct you, Brad. The slide eight, at least my concept of slide eight was items which need to have some discussion from the overall workgroup, not just the Policy Group, you feel comfortable making these types of decisions. One of the things, operation outside of the North Slope, yes, it's uninvolved, you know, how it would look if (indiscernible) modeling is going to be.

But, you know, also associated with that is how do we

deal with this timing wise? Do we do a single general permit that covers all operations and wait for the Cook Inlet stuff to be finished before we proceed with that, or do we, you know, move ahead with the North Slope general permit and then issue a separate general permit or amend the North Slope general permit with the Cook Inlet information and then submit it and reviewed? That's a discussion for the overall workgroup.

MS. KOCH: This is Denise Koch. I would imagine that we could have some parallel tracks in terms of we know that the Technical Workgroup is still going to be working on Cook Inlet technical information that would form the basis of any sort of future Cook Inlet permit. I'd be interested to hear from industry. But I would image that for the DEC perspective, you've heard from this group consensus on kind of the technical information that was presented for the North Slope. And we've heard consensus on a general permit approach. So I mean one option would be for us to move forward with the general permit for just the North Slope. So that is not -- so that we can move forward and we don't hold the whole process up while we're waiting for the technical support that would be necessary for Cook Inlet.

MR. THOMAS: And this is Brad. And perhaps since it's only 2:27, we can resolve some of these things here. But, Denise, moving forward with the North Slope general permit,

with an eye toward amending it once we get the Cook Inlet data and agreements, seems like a good approach to me.

MR. MUNGER: This is Mike Munger. I'd have to agree with that.

MR. BROWER: Yeah, I'd agree with that as well.

MR. KINDRED: So would I. This is Josh.

MS. KOCH: And, John -- I'm looking to John now in terms of -- kind of to make sure that what I just said was feasible, that he can -- your permitters could move forward with drafting a permit for the North -- a general permit for the North Slope, and know that in the future we'll have to amend that permit or have it very similar sort of general permit (indiscernible -- interrupted) depending on what (indiscernible).

MR. KUTERBACH: Well, yeah, we can do that. We can do that. And when the Cook Inlet information comes forth, before anything goes public, through this we can -- we can work that information in, too. That's really what the (indiscernible). Once we go to public notice that's going to have to run its course before we amend it.

MS. KOCH: But from what I'm hearing in terms of an earlier comment that it -- I think from Alan, he mentioned that it would be six weeks until DEC expects to receive the Cook Inlet modeling, which, of course, would then just -- you know, that would be the beginning of our process. It

sounds like -- my kind of guestimate would be that we would -- if we move forward on a general permit for the North Slope, you might get the public notice before the Cook Inlet technical information is evaluated.

MR. KUTERBACH: It's my -- again, we also have the EPA approval taking it up at our end in that mix, before we go to public notice that we'd have that.

MR. MUNGER: This is Mike Munger. So there's a good possibility that we may have the technical data from Cook Inlet before we got EPA approval for the general permit concept anyway.

MR. KUTERBACH: I don't know what the betting odds are one way or the other.....

MR. MUNGER: Okay.

MR. KUTERBACH: .....who's going to win the horserace there, but it's possible.

MR. MUNGER: This Mike Munger again. Regarding the Cook Inlet modeling, who is doing that?

MR. THOMAS: This is Brad. AECOM, Tom Damiana and Tiffany Samuelson, who I think are on the phone still, are executing it right now.

MR. MUNGER: Okay.

MR. THOMAS: They're the same ones who did the North Slope modeling.

MR. MUNGER: Okay.

MR. KUTERBACH: Okay. And then if we look at the -- so it sounds to me, and I guess I'll just ask that the workgroup members, they'll voice objection if I'm wrong, but the decision is to move forward with preparing a draft general permit, specifically for the operations that are covered by the technical analysis we've already completed.

MR. THOMAS: This is.....

UNIDENTIFIED FEMALE: In the North Slope.

MR. KUTERBACH: Okay. Hearing no objection, that's what we're going to move forward with. The one element is -- that I've heard on this conditional consideration, that we talk about Title V sources and PFD major sources. And I understand that Title V source where Brad said the Title V permits would just have to have a simpler environment to comply with general permits, so the path should have compliance with the applicable requirement. The Title V permits are also going to have to have monitoring, recordkeeping, and reporting that satisfies Title V for the applicable requirements, so for the fuel limits. So that's a consideration in drafting the general permit. If we're going to ensure that it's -- that it will meet the requirements of Title V for monitoring purposes then we're going to have to make sure that the modeling be not just minor permit requirements, but the quality of monitoring that Title V requires. Otherwise, with Title V permits,

we'd have big gaps to fill for that. And I think that's -- I think that's right. But if Dave Bray is on, maybe correct me if I'm wrong.

MR. BRAY: No, you are correct that, you know, anything that's operating under the scope of the Title V permit has to meet that. You can probably do it two ways. You could, like you say, make sure the general permit meets Title V monitoring, you know, requirements. Or you could have a provision in the Title V permit that says, you know, any portable oil and gas equipment operating here has to meet the general permit and the following additional monitoring requirements. So those could be getting the permit ready to be deployed if and when the equipment covered by the general permit would operate there. So if there were scenarios in which an existing Title V source was never expecting to have portable oil and gas equipment, it wouldn't have to have those conditions in the permit, but.

MR. THOMAS: Hey, John, this is Brad. What Title V requirements would not be satisfied, do you think, in a minor general permit? Because I'm thinking that with the monitoring that's been discussed, the type of monitoring that's in, for example, you know, recently issued portable oil and gas operation permits, the recordkeeping in those permits and the reporting in those permits, would those, in your mind, satisfy the Title V requirements? Are there

requirements above and beyond those that you're thinking of?

MR. KUTERBACH: Well I don't think the minor general one permit (indiscernible) would satisfy Title V requirements. And I think that's what we've been using is the (indiscernible) of this re-general permit. I just want to make clear that a Title V monitoring requirements are going to have to meet those (indiscernible) in Part 70 -- of our Part 70, and specifying, you know, collecting relevant data from the appropriate time period. And again, that's a technical detail that we're going to have to look into. But I think we do have a choice here. And maybe you're right. Maybe they -- just the monitoring (indiscernible) from Title V. But there's -- I'd like to have agreement before we move forward with it that we want to have a general permit that meets Title V, so we don't have to have those monitoring conditions in the Title V permits; or that we want the minor general permit to just be a minor general permit and not worry about Title V, and if necessary, we would supplement the monitoring in the Title V permit. And so I'd just like to get sense of the workgroup which of the approaches they would prefer to go to.

MR. THOMAS: So this is Brad. Denise, we have a lot of people with a lot of experience in permitting, like Al Turbovich, Ann Mason, on the phone perhaps, Tom Damiano and Tiffany, so hopefully we can let them weigh in. But it

seems to me that the most efficient way to go is to start with seeing from DEC a permit that they think meets Title V requirements and just keep it simple. And then if that becomes too cumbersome then we'll revisit this. Does anybody have any reason not to do that?

MR. BRAY: This is Dave Bray. Let me just ask one clarifying question so I can think about this. Are there -- would there be any other sort of generally applicable requirements that would apply to the equipment covered by a general permit that wouldn't actually be written into that general permit? Either your 050, 055 requirements or.....

MR. KUTERBACH: Yeah, I don't think we were contemplating incorporating the SIP emission standard into the minor general permit. And they don't apply to the drill rig industry, they apply to the heaters and boilers. But maybe those would be the ones that I would think. However, those are already covered under the Title V permits of the different sources. We just have to be clear. We would have to make it clear that those general SIP standard requirements in the Title V permit apply to all boilers and heater that.....

MR. BRAY: Including ones that move on temporarily under the general permit.

MR. KUTERBACH: Right.

MR. BRAY: Yeah. Yeah, that's what I was trying to

figure out, if the general permit was actually going to include and function as a standalone Title V permit that would be, you know, in play when you were within a Title V major source or whether you'd construct the Title V permit so it would be clear those requirements and any monitoring, recordkeeping in the Title V permit would apply to that equipment with it came within the Title V source. I mean both could work. But that's the type of thinking you need to work through to make sure you've got it covered.

MR. SCHULER: Hey, John, this is Alan. I have a question, too. Under Title V, I believe the transportable sources also an app for requirement is increment, and we only looked at standards in the work that's already done to date. If this gets pulled into Title V is increment an issue then?

MR. KUTERBACH: No, because we're not permitting a transportable source under Title V. This would be Title V conditions for the stationary Title V sources. And this would be an operation that comes into work on a Title V source, but the Title V permit wouldn't follow the drill rig like they've done -- you know, they addressed this question of how do you deal with them on the Title V source in a prior go-around. The producers had adopted -- crafted Title V permits for drilling operations that moved around. That way when we moved onto Title V sources covered under zone

Title V permit so we didn't have any Title V problems. Right? This would be a change in that concept where we are not permitting the drilling operation under Title V, but it operates on a Title V (indiscernible) that stationary source must cover that operation. So it would not trigger the ambient air quality standards issue.

MR. BRAY: Think of it as an approved alternative scenario for that stationary Title V source.

(Indiscernible -- multiple speakers at the same time.)

MR. KUTERBACH: With the transportable one, there's also the term applicable standards and increments. And that's -- there's some question as to whether the increment would be applicable if the source itself did not have sufficient stationary emission units -- not -- you know, emission units that worked on those engines, they would have to be big enough to constitute a modification, I would think, to trigger the increment. But that's questionable.

MR. BRAY: So that's a long answer to say, no, it's not a problem.

MS. KOCH: This is Denise. I have question from the perspective of the timing, because I'm just thinking about part of the original goal, which is operational flexibility while not -- while also complying with air quality standards. But for the operational flexibility component, if you rate the general permit in -- this new general permit

for the North Slope, in a way that meets those Title V conditions, I'm assuming, but I want to verify that this is correct, it sounds like that would -- might offer more timeliness and flexibility for the industry from the perspective of you've already covered that in the minor general permit versus if we take -- we don't include those elements in the Title V -- that would be required in a Title V source then you'd have to go through a process with the Title V source's permit to try and get a sense of what -- it seems like a more.....

MR. KUTERBACH: Well.....

MS. KOCH: .....it seems like a more (indiscernible -- interrupted).

MR. KUTERBACH: Well then there are a lot of -- this is John. There are a lot of elements in play on that, this particular issue. Yes, we could do, if you did strictly a minor permit, we didn't cover all the Title V requirements. And let's just assume for the sake of argument the minor permit doesn't satisfy some Title V requirement that applied to sources with the Title V (indiscernible -- lowered voice). That minor permit could then be used everywhere that's not on a Title V stationary source. Before it could operate on the stationary surface of a Title V permit, it would be a modification to the facility. Then we would have to look at the Title V modification rules to determine what

process would be necessary to modify the Title V permit. Bob just said it wouldn't be an administrative amendment, but what it could fall under the minor permit -- the minor permit modification. Now that's a change to the piece of paper, not a change to facility. So -- and that could be done fairly quickly. There's not like a comment period, there's just the noted -- so it falls into that. There's a possibility there. But the long-term solution would be to change our general template to have that as a (indiscernible -- interrupted).

MS. KOCH: So get (indiscernible -- multiple speakers at the same time) as you're renewing Title V permits?

MR. KUTERBACH: The disadvantage of making the -- of going through it, is it is possible that the minor permit would be slightly more stringent in some aspects in order to allow it to be used everywhere than maybe it could be if it wasn't used on a Title V source.

MR. THOMAS: Yeah, this is Brad. My thought is that the minor general permit would be kept as simple as possible with the monitoring, recordkeeping, reporting that satisfies the Title V requirements. But the other Title V requirements outside of monitoring, recordkeeping, reporting would be handled by the stationary source Title V permit by, as Dave mentioned, a reference to an alternate operating scenario, for example. That way we would keep the minor

general permit simple. Hearing no objections.....

MR. KUTERBACH: This is John. From my point of view as the permits manager, I can do it either way.

MR. THOMAS: Okay. Okay.

MR. BROWER: I got a question here. You keep referring to some stationary source versus, oh, what's the -- what the general permit's going to be about. Within the drill rig itself are there different components in it that require different types of permits?

MR. THOMAS: This is Brad speaking. On a drill rig there are different components that are treated under different regulatory regimes, if you will. The engines are treated specially, but the heaters and boilers on a drill rig are treated essentially as stationary sources. So there would be state emission limitations that apply to those that don't apply to the engines.

MR. BROWER: And those are what you're deeming as stationary Title V.....

MR. THOMAS: No. What we're talking about here is when a Title V operates within a stationary Title V source that means a drill rig is operating in an area covered by a Title V permit, because it's got like a processing facility there.

MR. BROWER: Like a CPF or.....

MR. THOMAS: Yeah, yeah.

MR. BROWER: Any different other sources.....

MR. THOMAS: Right.

MR. BROWER: .....that are stationary?

MR. THOMAS: Correct. That already have their own permit.

MR. KUTERBACH: I want to know if -- this is John. Getting back to the -- what Brad had brought up, is that kind of the consensus decision that we make the minor permit, and the minor permit monitoring within it, fit Title V. Where we don't have any other mandatory Title V requirements in the general permit, we rely on the stationary source from it as an alternate operating scenario or some other mechanism?

MR. THOMAS: Yes, this is Brad. Just to add.....

MR. KOCH: This is Denise. And I'm fine with that.

MR. THOMAS: Just to add to that.....

MR. KUTERBACH: Wait a minute.

MR. THOMAS: One reason to do that is so that the general permit is not freighted with requirements that would not apply, you know, if it's being used on an outside Title V source. So but -- but, yeah. But, John, with that clarification, I'd -- that's what I think, but I'd like to hear from the other air experts like Tom, Al and anybody else who's got a lot of experience permitting. Robin might. Laura, you're an expert. Does anybody else have an

alternative view?

MR. BRAY: Yeah, this is Dave. I just want to make sure I understood John's statement there that the -- that the general permit would have in it the -- added what monitoring and recordkeeping in Title V level for the conditions that are uniquely imposed in the general permit, but not other applicable requirements that would otherwise apply to the heaters and boilers. Is that the concept you're thinking of?

MR. KUTERBACH: What -- and this is John. That was what I had thought. I think that's what Brad was thinking, yeah.

MR. THOMAS: Oh, yes. Yes. This is Brad. Yeah.

MR. BRAY: Yeah, okay. That's from.....

MS. MASON: This is Ann Mason. I guess a concern I would like to bring up is that, you know, Title V permit renewal gets delayed for one reason or another so we'd not be able to drill at a Title V stationary source until that permit got amended.

MR. KUTERBACH: Well, and you would have to evaluate the modification occurring in the Title V source to see what the process would be necessary to amend the Title V permit.

MR. THOMAS: This is Brad. So.....

MR. KUTERBACH: Some operator with a significant modification under the Title V rule then, yeah, you would

need to get the certificate modification issued before the -- before the operation can commence. But if it fell under the minor permit rule, you kind of operate kind of at your own risk while the minor permit is being -- while the minor permit amendment to the Title V permit is being processed.

MR. THOMAS: This is Brad. John, what we're talking about with the stationary sources Title V permit can be as simple as the addition of a condition to -- or conditions to comply with the alternative operating scenario, which would be the minor general permit. And within a station source Title V permit, adding the additional administrative things that have to be done for the minor general permit covered drilling at that source, right? So it seems like it's an administrative amendment that once we submit notification, we've got the application shield where we can move forward with it.

MR. KUTERBACH: It would not be an administrative amendment. It might fall under -- it might fall under operational flexibility. It wouldn't fall under a 502.B.10 change. But I don't think it would be an administrative amendment, because you're not changing the permit in an administrative way. You're adding a new requirement. So at the very minimum, it would be a minor permit amendment for Title V, but it might not be a significant permit amendment. You know, I appreciate the enthusiasm, but Title V rules, we

have to look real closely before we -- and I'm not going to able to do that in this meeting.

MR. THOMAS: Well -- this is Brad speaking again. That's an important enough element that, Denise, we -- we should talk about that again after John has had some time to think about it, and we've had some time to review it and perhaps even talk about it. So maybe in the next three to four weeks, we can convene again to hammer that one out, because that's just thrown out on the table as a suggestion.

MR. TURNER: Who's we convening?

MR. THOMAS: We, the -- this.....

MS. KOCH: It sounds like the subgroup, maybe. I mean because that seems to me like a pretty technical permitting sort of discussion.

MR. THOMAS: Right.

MR. TURNER: Excellent.

MR. THOMAS: That's fine. That's fine.

MR. KUTERBACH: It's not an option.

MR. THOMAS: Okay.

MR. KUTERBACH: So we're going to make a new subgroup for hammering out the details for the.....

MR. THOMAS: Let's do that.

MS. KOCH: I know, I mean I think about -- it sounds like an important element that you wanted to -- want to have some discussion about before the DEC proceeds with drafting

the general -- a minor general permit for the North Slope, but I also want a separate.....

UNIDENTIFIED FEMALE: Well I mean if (indiscernible -- multiple speakers at the same time).

MR. KUTERBACH: .....has to be down. Are we going to have the general permit satisfy Title V or, as we described earlier, only satisfies Title V for the unique conditions imposed by the general permit. And then if we do that, that satisfies the general permit option question. Okay? Now if we're going to talk about, okay, now how do we let these things operate on a Title V permit, what has to be in that Title V permit, it's going to be more than just comply with the general permit. Because the general permit isn't covering the SIP emission standard that possibly other applicable requirements for the boilers and heaters. For instance, maybe -- maybe they're NFP has affected or have some other federal standard that applies. I don't know. It could in the future even if they don't now. So it's more than just saying comply with the minor general permit, because the minor general permit doesn't cover those things. So it's how do you identify what the applicable requirements are for Title V for the operation, that oil and gas operation, and how do you impose those applicable requirements in the Title V permit for the stationary source on which it is operating?

MS. KOCH: Does that sound -- this is Denise again. That sounds like the -- it might be beyond the scope of what we were trying to accomplish here, which is for the -- thinking about the operational flexibility for the -- for these drill rigs that we would want to proceed with the general permit. It sounds like there was some agreement as to just including the monitoring and the recordkeeping pieces that are -- would be unique for -- to this permit that would apply for Title V. And the discussion of what additional information you'd need in a Title V permit might be kind of a separate -- it seems like -- are we going beyond the scope here?

MR. KUTERBACH: Well it's an area that these operations -- you're limiting the utility of the general permit by saying, okay, you can't operate on a Title V permit until we solve this other piece. So that's the question for the workgroup. Do we do it step wise first, get that minor general permit out and done.....

MS. KOCH: And we have a tool.....

MR. KUTERBACH: .....on its own track and then maybe have a separate track to deal with this particular aspect of the Title V approach.

MR. THOMAS: And this is Brad. That would not be good, because most of the drilling occurs within what are currently defined as Title V sources. So that's -- I think

the solution -- or the solution we're looking for is there. So.....

MS. KOCH: So cancel the step five?

MR. THOMAS: Yeah. I think.....

MR. KUTERBACH: And again, with the -- that raises another question is where is EPA in their redefinition of adjacent for defining (indiscernible)?

MR. BRAY: I know they're working on it. There's supposed to be something coming out on the definition of a source for oil and gas operations, but I haven't seen anything yet in actual writing.

MS. SMITH: And that comment area closed a while ago.

MR. THOMAS: So this is Brad again. So John had thought -- since the Title V question, I think, will color substantially any minor general permit we come up with, I think we should meet within a couple weeks to hammer that out, with an eye toward the goal of operational flexibility and reducing the burden on the rigs.

MR. TURNER: So for purposes of advancing the meeting and discussion, I'm going to see if I can try to summarize this, and people can correct me when I'm done. What we need to do here, or for the next step, is to have a -- either the Options or a subcommittee look and see how the Title V requirements, particularly for monitoring and recordkeeping, can be looked at within the minor permit. We still then

continue to proceed with approval of the modeling with EPA. And we can continue to advance Cook Inlet's technical aspects. So we have a little bit of work here, but it sounds like the technical aspects of the Title V within the minor permit need to be resolved before we can advance, based on what you're saying.

MR. THOMAS: Yeah. And that would just then precipitate the question before we launch into drafting the minor general permit should we reconvene as a committee?

MR. TURNER: That's up to the workgroup to decide.

MR. THOMAS: Okay. Let's put it on the table.

MR. TURNER: I just want to make sure those are three action items I heard. And I'm open to any corrections or adjustments. I am not seeing any body language in Anchorage that tells me they disagree. John and Denise, are those the three action items?

MS. KOCH: I agree that those are the three action items. I think in terms of how we approach them, I think that this Title -- how we integrate this Title V issue so influences what will happen next with a minor general permit that my recommendation would be that the Options Subgroup have another -- have another discussion about that. And that seems like that needs to be -- that needs to be resolved. And then we can have another -- I would propose that we have another main, full workgroup meeting. It could

be short, because that would just be the scope of the discussion, so it might just be an hour. But at least then all the workgroup members would hear what that discussion was. It depends on how.....

MR. KUTERBACH: Well it's going to be.....

MS. KOCH: .....controversial it is.

MR. KUTERBACH: Yeah. It's going to be more than a discussion. I'm going to have to do some research into what Title V conditions we'd actually be concerned about based on (indiscernible -- lowered voice). And then be able to identify those (indiscernible). And then we can talk about how do we draft (indiscernible -- lowered voice) within a stationary source permit.

MS. KOCH: This is Denise again. So do you think in terms of a timeframe for next steps, it is reasonable to say that in six weeks the Options Subgroup meets at any time to do this research.....

MR. KUTERBACH: I think.....

MS. KOCH: .....and then have a discussion.....

MR. KUTERBACH: I think we can meet within the next four weeks and probably come to a resolution within six weeks.

MS. KOCH: Okay.

MR. KUTERBACH: We do have -- I'd like to do it quicker than that, but we do have (indiscernible -- lowered

voice).

MR. THOMAS: So this is Brad. So.....

MS. KOCH: So do any other Main Workgroup members have any concern or comments on that (indiscernible) approach that the Option Group has some discussion about this and then we come back to the Main Workgroup?

MR. THOMAS: Just a clarification question, Denise. This is Brad. We're talking about the Main Workgroup coming together in four weeks, but within that period between now and then, the Options Subgroup goes ahead and scrubs this Title V problem. Is that what you're saying, right?

MS. KOCH: No. What I'm saying is the that the Options would -- the Options Subgroup meets in four weeks. The Options Group has resolution within six weeks. And then at some point after that the Main Workgroup comes together to hear what the Options Subgroup has done in these six weeks.

MR. THOMAS: Sure.

MR. TURNER: We're getting nodding heads from Gordon and from Mike on that plan and from Josh. Okay. So for the record, we have agreement in Anchorage on that plan.

MS. KOCH: Okay, thank you, Tom.

MR. TURNER: Okay. So for the logistics of this then, I'm assuming I will go ahead and send out a meeting request for the subgroup and organize that again. And then for the

workgroup members, I want to do a general polling. Rebecca will send an email to you that says here's the dates we're looking for once we get an agreement. I don't want to go too far ahead and book a meet and change it eight times. I'd rather make sure the subgroup gets done with what they want and then send out one meeting request. Okay? And teleconference works for everybody.

MR. KUTERBACH: And I'll make sure that something doesn't happen to GoTo.

MR. TURNER: John?

MR. KUTERBACH: Oh, I said, yeah, I love GoToMeeting.

MR. TURNER: Yeah, I'm going to find an alternative to that or we're going to figure something else out. Okay. Denise, I think it's back to you to wrap -- let's do what you want -- whatever.

MS. KOCH: Well I'll see where it's maybe one or two minutes to three, it depends on the clock, 3:01. So I'd like to thank everybody. I think that we have -- that we have a path -- a path forward. We're not all the way there in terms of the decision in terms of what sort of permitting tool we'll use, but I think that we've made really substantial progress thanks to the work of all of the Options Subgroup. So we're still -- we still momentum and we'll just continue on.

MR. TURNER: Okay.

MS. KOCH: That's all that I have.

MR. TURNER: Hearing no other comments, we're off the record at 3:02. Thank you, everyone. Thank you for your tolerance with the technology.

(Off the record at 3:02 p.m.)

TRANSCRIBER'S CERTIFICATE

I, Gloria Schein, hereby certify that the foregoing pages numbered 2 through 72 are a true, accurate and complete transcript of proceedings of the Workgroup for Global Air Permit Policy Development for Temporary Oil and Gas Drilling Rigs, held February 4, 2016, in Anchorage, Alaska, transcribed by me from a copy of the electronic sound recording to the best of my knowledge and ability.

_____ _____

Date Gloria Schein