

**MINUTES OF THE
ADEC 11TH WORKSHOP FOR
GLOBAL AIR PERMIT POLICY DEVELOPMENT FOR
TEMPORARY OIL AND GAS DRILL WORKGROUP
JULY 12, 2018**

I. INTRODUCTIONS

Chair Koch called the meeting to order at 8:59 a.m. and welcomed everyone to the meeting.

The roll call was taken, and the following members were present: *Workgroup members:* Denise Koch, Chair, director of Air Quality for the Alaska Department of Environmental Conservation (ADEC); Brad Thomas, Alaska Support Industry Alliance and ConocoPhillips; Gordon Brower, North Slope Borough; Robin Glover, BP and AOGA; Mike Munger, Cook Inlet Regional Citizens Advisory Council and NGOs; Jim Plosay, Air Permits Program. *Technical Workgroup members:* Aaron Simpson, ADEC; Barbara Trost, Air Monitoring and Quality Assurance; Alan Schuler, ADEC. *Others present:* Sims Duggins, ConocoPhillips and SLR Consulting; Brad Brefczynski, AOGA; Jim Beckham, Division of Oil and Gas; Graham Smith, Division of Oil and Gas; John Neason, Nabors Drilling; Randy Kanady, ConocoPhillips; Denise Danielson; Rachel Buckbee, BP and AOGA; Tiffany Samuelsen, ACOM; Tom Damiana, ACOM; John Hellen, Caelus Oil and Gas; Drew Anderson, Hilcorp; Keegan Fleming, Hilcorp; Eric Pierson, Caterpillar Oil and Gas; and Ann Mason, SLR Consulting.

Ms. Koch pointed out that there have been several changes to the membership of the Temporary Oil and Gas Drill Rig Policy Development Workgroup (workgroup). The last meeting was held in February 2016. All of the documents for the meeting are available online for those participating telephonically.

II. AGENDA CHECK AND PRIOR MEETING SUMMARY

Ms. Koch reviewed the agenda. Prior to the meeting, Mr. Thomas suggested consolidating some of the agenda items.

MOTION: Mr. Thomas moved to amend the agenda to discussion of the Minor General Permit 2 first and then go into the feedback and questions from the members. There were no objections to the motion.

III. DISCUSSION OF MINOR GENERAL PERMIT 2 (MG-2)

Ms. Koch gave a slide presentation on the background of the Temporary Oil and Gas Drill Rig Policy Development Workgroup. The workgroup was established in 2013, although discussions

on these issues had begun as early as 2011. The concept of a stakeholder group reflected our desire to have multiple voices represented in areas where temporary oil and gas drill rigs operated, thus the inclusion of the North Slope Borough and the Cook Inlet Citizens Advisory Council. We also had representatives from the oil and gas industry, resource agencies, and regulatory agencies. The membership of the workgroup, including several founding members, was reviewed. The workgroup was developed after a request from the oil and gas industry to review regulatory processes for temporary drill rigs, compliance difficulties with the one-hour NO₂ standard in Title V permit applications, and the need for operational flexibility while protecting the environment.

Mr. Brower questioned if DEC representatives could attend meetings in the North Slope Borough when public hearings were held on air quality issues.

Ms. Koch said the North Slope Borough received funding to do its own air monitoring study, because the community of Nuiqsut was concerned about air quality issues. Barbara Trost has reached out to the borough's project manager on that project.

Mr. Brower said the North Slope Borough was considering an air quality program throughout the North Slope. It all comes down to what drill rigs are emitting.

Ms. Koch continued with the slide presentation. We are the primary program for the Clean Air Act. While we issue construction and operating permits, we have an obligation to meet the State Implementation Plan (SIP) requirements with the Environmental Protection Agency (EPA). Ultimately, our charge is to protect air quality and ensure compliance with the National Ambient Air Quality Standards. In Alaska, permitted drilling operations are through minor permits, which is today's topic. This is the 11th meeting of the full workgroup, but there have been multiple meetings of the subcommittees. The Options Subcommittee has been on hold for years. The Technical Committee has done much of the work in the last three years on existing monitoring data, modeling methodologies and the results, resulting in a technical document that went out for public comment and serves as the foundation of this permit. At the end of the presentation, we will discuss whether a similar permit process should be done for Cook Inlet.

Mr. Simpson continued with the slide presentation. After reviewing established fuel and exhaust limitations, the Options Committee determined that most of the operations and drill rigs were well below ambient air quality standards and limitations. Rather than responding to potential air quality violations through a monitoring program, the Options Committee felt a permitting program was appropriate. They established the Technical Subcommittee, obviating the need for extensive ambient monitoring or case-by-case modeling for specific permits.

The Technical Subcommittee found there was a basis for establishing a minor general permit. They categorized the North Slope drilling operations into multiple categories. Routine infill drilling conducts operations less than 24 months and can be isolated or collocated with an existing Title V source. Development drilling conducts operations longer than 24 months and can be isolated or collocated with a Title V source.

For a main general permit, the application identifies the location of the planned drilling on the North Slope, administrative things like fee payments, and certification requirements to ensure operators comply with daily fuel limits. Enforceability is through monitoring, recordkeeping, and reporting.

The MG-2 permit went out for public notice on March 16. Comments were received from AOGA, the Alaska Support Industry Alliance, ConocoPhillips, BP, and Hilcorp. Changes made to the MG-2 permit were reviewed. Notification of intent to operate was divided between an initial application form and an annual notification form. The requirement to submit operating reports was changed from 30 days to 45 days after the end of a reporting period. We streamlined monitoring, recordkeeping, and reporting requirements for demonstrating compliance with state visible emissions standards. Emission calculations were corrected so the potential to emit SO₂ and VOC emissions accurately reflect what is being emitted. We revised what qualifies as a flare event so visible emission observations can occur for flare events that last 18 minutes to less than an hour. We included a finding in the technical analysis report that well flow back emissions for new wells would be considered construction phase emissions and not be included in the calculations to determine whether that source was subject to PSD review. We removed the equipment list form and replaced it with an emission unit inventory from the MG-2 permit, which allows applicants to simply check the boxes of the units they plan to operate in a given year. We included an annual notification form, which will allow permittees to submit notification once a year. We streamlined and clarified the elements required to be submitted in the initial application and the annual notification forms, because the same information does not need to be submitted on multiple forms.

The MG-2 permit was based on the Technical Subcommittee's work related to unrestricted drilling, which typically complies with air quality standards. However, if they do not comply with the standards, fuel and exhaust limitations based on existing ambient air quality monitoring data and modeling analysis, expanded ambient monitoring with reduced or eliminated permitting, and registration and a fuel-use trigger might require case-by-case permitting.

Details addressed through the draft permit and public comments were the application's content, the operators, the length of drilling time, drilling locations, administrative elements such as fee amounts and submissions, and limits and allowable excursions to ensure continued compliance. Additional consideration in response to the comments included how the MG-2 permit would work if operating at an existing Title V or PSD major source, how to address operations that do not qualify for an MG-2 permit, and the next steps.

Ms. Koch said the public comment period on the permit was closed. This is a discussion about the permit and not a public comment period. The Permit Group is close to being able to issue the permit and substantial changes would require another public comment period.

In response to Mr. Brower, Ms. Koch said a permit does not need to go through the commissioner for final approval. Permits are issued by ADEC and signed by the Permit Program manager.

IV. OVERVIEW OF AOGA/ASIA, CPAI, BPXA, AND HILCORP COMMENTS

Mr. Thomas reiterated that it would be beneficial for an ADEC representative to attend public meetings in the North Slope Borough on air quality issues to help educate the community on how the program protects ambient air quality standards.

Ms. Koch noted that ADEC has participated in some of the North Slope Borough meetings but agreed that continued participation would be beneficial.

Mr. Thomas felt the workgroup had done an excellent job on the permit, and he thanked everyone for their work. His main concern was transitioning from existing permit terms and conditions to the MG-2 permit. The transition time appears to be two to six months depending on the type of permit. Drilling operations are currently covered by Title I and Title V permits. While our preference is to utilize the MG-2 permit, transitioning permit conditions from Title I or Title V permits is not an administrative action and requires a public comment period, extending the length of the process. Upon submittal of an application for rescission of a permit, or revocation of a permit's terms and conditions, we request the department treat this as an administrative action.

Mr. Simpson said if there were two enforceable conditions, with one condition being more restrictive, operators have to meet the more restrictive condition. How the MG-2 permit would operate at an existing Title V source was discussed. A well pad with more than a quarter-mile distance, which would be considered a separate stationary source, would be permitted under the MG-2. However, the existing Title I conditions in the Title V permit still have to be followed. ADEC is reviewing the regulations to evaluate the type of permit classifications that could be used. The amount of time that it would take to rescind a permit condition would be far less than applying for a new source specific type of permit. If a Title I condition is different from an MG-2 permit condition, they are both enforceable conditions.

In response to Mr. Thomas, Mr. Simpson said rescinding a Title V permit condition for which there is no Title I anchor could be done administratively. Upon submittal of the application to rescind the Title V permit conditions, the request takes effect. For a standalone permit condition with a Title I anchor, the permit processing time would be minimal. You simply delete the condition from the permit and send it straight to public notice. If no comments were received, the turnaround time after the comment period would be six to eight weeks.

Mr. Thomas referenced Table 1 of the permit. Emission Unit 3, under total rating and size, says "90 tons VOC, 25 new wells", but we would prefer the term "varies." VOC emissions that occur under this permit do not apply toward permit applicability as they are construction emissions, so there's no cap. "Varies" would be preferable language.

Mr. Thomas reviewed permit condition 17. The permit language states that deviations must be reported within 30 days of the end of the month in which the deviation occurs. However, a deviation cannot be reported until it is discovered. If we discover an error in our recordkeeping or

reporting during our semi-annual or annual self-evaluations, we have to report the error. That is one deviation. Since the deviation was not reported within 30 days of the month it occurred, that would be a second deviation. We request this be changed, because it does not make sense. There is an ongoing effort to address this in the standard permit conditions. Once that is complete, we would request that also be carried into this permit.

Ms. Koch said there would be no incentive to discover deviations if they did not have to be reported within 30 days of the month in which they occurred.

Mr. Plosay said the deviation reporting period has been a longstanding discussion, especially with Title V permits, and should be further discussed offline. However, the comment provided in this case addressed the operating report section, not the excess emission permit deviation. The comment talked about whether the excess emission and permit deviations should be lifted in the operating report or provided separately, which is a totally different comment.

In response to Mr. Brower, Ms. Glover gave an example of one of their deviations. Their facility operating report had been mailed the day it was due. However, it was inadvertently stamped the next day, which was out of their control and happened without their knowledge. ADEC notified them a couple of months later that they had received a deviation for being late. Subsequently, they missed the 30-day deadline to file a deviation report and were issued a second deviation for filing a late deviation report.

Mr. Thomas said they received a permit deviation for not reporting a minor recordkeeping error within 30 days of its occurrence, because they did not know about it until later. Another example would be forgetting to check a box while doing a Method 9 opacity reading, which is technically a permit deviation. However, the operator may not discover this until the semi-annual or annual self-evaluation, making it impossible to meet the 30-day deadline.

Mr. Beckham said ADEC is supposed to receive two hard copies of reports, so they faxed one and mailed one. After DEC did their audit a year later, we were notified that they had only received one copy of the report. So we received a deviation for not submitting a report and another deviation for not filing a deviation report within the 30-day deadline. This has nothing to do with air quality compliance.

Mr. Duggins said these were examples of administrative oversights, which are the types of deviations that are of concern. Although Ms. Koch felt removing the deadline would be a disincentive for reporting, it could also work the other way. If you have a deviation that occurred a year ago, and the requirement was to report within 30 days, there is no incentive to report the deviation in a timely manner because the you already missed the deadline.

Ms. Koch felt this was a good discussion. Standard permit conditions talk about incentives and disincentives. ADEC believes that everything in the permits are germane to protecting air quality.

Mr. Fleming said the overlap of multiple restrictions with Title V and Title I permits was their primary concern. This issue was sufficiently addressed earlier in the meeting.

Ms. Glover said she reviewed the comments for the permit and was very pleased. She thanked everyone for their hard work.

V. INITIAL FEEDBACK AND QUESTIONS FROM MEMBERS ON COMMENTS

Mr. Thomas felt they were ready to move forward with finalization of the MG-2 permit, after a minor change to the language regarding 90 tons VOC 25 wells.

Mr. Duggins said there were some non-substantive language revisions that he would like to comment on, but not in this setting. Most are related to ADEC's rewrite or revisions to the permit, which would be subject to a public comment period, but some are related to ADEC not removing emission units three through six from the permit. He asked how these comments should be submitted so they could be reviewed before the permit was finalized.

Ms. Koch said at this point in the process, non-substantive errors can be dealt with by staff. However, it makes her nervous to start tinkering with the language outside of the public comment period.

Mr. Plosay agreed with Ms. Koch. There are issues when we change language that has already been changed in response to public comments. He suggested that Mr. Duggins submit his changes in writing to Mr. Simpson for consideration, but any proposed changes may have to wait until the next revision of the permit.

VI. IDENTIFY AND DISCUSS FOLLOW-UP ACTIVITIES AND NEXT STEPS

Ms. Koch returned to the slide presentation and brought up the question of whether the Oil and Gas Drill Rig Workgroup should be expanded to evaluate the potential for a minor general permit for onshore and offshore drilling in the Cook Inlet region. When the workgroup was initially developed, it had envisioned covering both the North Slope and Cook Inlet. As the technical work began, we decided to focus on the North Slope to get a permit out. Now we are deciding if, and how, we should proceed with Cook Inlet. Hilcorp has expressed an interest in working with ADEC to develop a minor general permit that applies to Cook Inlet. The question is do we need to process this through a workgroup or through DEC's processes to develop minor general permits in absence of a full workgroup.

Mr. Fleming said Hilcorp was interested in pursuing a minor permit for Cook Inlet drilling operations. They drill in Cook Inlet nearly year-round. They are the only substantial operator in the area and do not expect the members of the workgroup to give their time and funding toward a permit that will not impact their operations. Hilcorp is prepared to move forward independently if necessary, and they do not see the need for the workgroup to stay together for this effort. However, they would be happy to work with other small operators on an informal basis.

Mr. Thomas suggested suspending the workgroup and reactivating it if the need arises. In the interim, Hilcorp could drive the development of a general permit for Cook Inlet directly with ADEC. Once that is completed and approved, this effort could be concluded.

Mr. Brower felt the legwork had already been done and utilization of the template would streamline the process for pursuing a minor permit in Cook Inlet or other areas.

Ms. Koch noted that the technical work done for the North Slope was unique to the North Slope in relation to meteorological conditions and modeling. Even though the framework for the permitting could be utilized, there would be some technical work necessary for the Cook Inlet permit to be completed.

In response to Ms. Glover, Mr. Thomas suggested that AOGA could facilitate surveying the members and operators in the Cook Inlet region regarding the permit.

Ms. Koch suggested putting the workgroup on hiatus. However, there would be technical work needed for the Cook Inlet permit. ADEC can work closely with Hilcorp and keep in touch with AOGA and the other players in Cook Inlet. A final meeting could be scheduled when the Cook Inlet permit was ready to be finalized.

Mr. Munger arrived at the meeting. He had previously been participating telephonically but had missed some of the conversation.

Mr. Thomas reviewed the portions of the meeting that Mr. Munger might have missed. There were no major concerns or flaws in the MG-2 permit. It was suggested that the ADEC finalize the permit with one minor change. The conversation then progressed into developing a permit for the Cook Inlet region. The workgroup will be on hiatus, but technical work will need to be done for Cook Inlet. Once the permit is ready to be finalized, the workgroup can reconvene.

Mr. Munger asked how work in Cook Inlet would proceed in the interim.

Mr. Plosay said Cook Inlet drilling was currently handled through source specific requirements and that process would continue until a new permit was developed.

Ms. Trost said the two consultants, Mr. Damiana and Ms. Samuelson, had already started working on data collection and pulling things together for Cook Inlet. It would make sense to figure out who the players would be in the Technical Workgroup, so they can get started.

Mr. Thomas said the composition of the Technical Workgroup for Cook Inlet would probably be driven by the Cook Inlet operators.

Ms. Koch suggested going back to Hilcorp and AOGA to decide who would be the industry technical leads.

Mr. Schuler said there has already been discussions with AECOM on how to approach a Cook Inlet analysis. We can utilize the lessons learned and carryover from the North Slope effort, but new modeling analysis will be required because the rigs are a little bit different in Cook Inlet. All of the work done to date has been onshore and nothing has been done regarding offshore platforms. Another thing we will need to deal with for Cook Inlet is ambient air boundaries, which are different in Cook Inlet and the North Slope. The North Slope has gravel pads that create a barrier for ambient air purposes. Cook Inlet does not have the gravel pads and there is a wildlife refuge we need to deal with.

Mr. Brower felt the work done in the North Slope could serve as a template for Cook Inlet.

Mr. Munger said ConocoPhillips does not operate in Cook Inlet, but they represent the Alliance, so he hoped they would continue to participate in the Cook Inlet workgroup because their technical expertise was an asset.

Mr. Thomas said he would continue to be involved in the workgroup.

Mr. Duggins went back to the discussion of the administrative transition. He referenced the last page of the technical analysis report and the language related to the transition process. He felt it would be beneficial to discuss the specifics of how that process would work based on how the information was currently written.

Mr. Simpson said the language was written around the existing well pads. He asked Mr. Duggins for some examples.

Mr. Duggins said the first paragraph refers to two different sections of Part 71 as requirements to meet the administrative revisions provision. He reviewed those and was unsure of how they would apply. In the second paragraph, second sentence, the language is unclear. He suggested this was something that could be further discussed offline.

Mr. Simpson said the section talks about PSE avoidance limits and back limits, Title V modifications. Back limits apply to emission units. If you want to change emission units then you have to go through a certain process, and the MG-2 permit would not be the appropriate mechanism. As far as PSD avoidance limits, if you have a well pad that is no longer part of a Title V source, your emissions would go down and be covered under the MG-2 permit.

Mr. Duggins said this issue could be further discussed offline, but he encouraged everyone to look at it from their company's perspective. He felt the language was unclear as to what the department was trying to say with respect to what the process would entail.

Mr. Simpson said he would be open to suggestions on how to best explain how a minor source specific permit would work in correlation to a PSD permit, a Title V permit, and a PSD avoidance limit.

Mr. Schuler said the language in the RTC had been expanded. He suggested embellishing the TAR with the TRC language.

Ms. Glover suggested a guidance document, because there was no POGO-related language in Title V and they have a Title V drill rig permit and a minor source drill rig permit. She questioned how the transition would work for her specifically.

Ms. Koch felt this was all good feedback that the department would think about. She reiterated that this was not an open public comment period and the department would be the ones to make the final decisions on changes to the permit.

Mr. Duggins said he would provide his comments to the department via email for their consideration.

Mr. Brower said this process was started to provide a more flexible and predictable permitting process for mobile drill rigs that were moved around the North Slope, thus allowing operators to move drill rigs without affecting their current emissions. Now what I am hearing is that some of the other permits, such as Title V, have conditions that affect more mobile drill rigs from a stationary source.

Mr. Thomas said they had construction permits called Title I permits, as well as Title V operating permits. There is language in both of those permits that bear on drill rigs. We are talking about the process for removing that language from those permits.

Mr. Brower felt that issue should be discussed offline since it was an administrative issue.

VII. ESTABLISH DATE AND/OR NEED FOR NEXT MEETING

Ms. Koch said the workgroup would be put into hiatus and reconvene once they were ready to review the Cook Inlet permit. The MG-2 permit is a major deliverable and will be completed soon. However, permits are revised and renewed, so there will be other opportunities for amendments and feedback. She thanked everyone for their dedication over the years and the cooperative approach that has led us so close to issuing the MG-2 permit.

In response to Mr. Duggins, Mr. Simpson felt the permit could be finalized in a few days depending on what information was received or what clarifications were requested.

In response to Mr. Plosay, Mr. Simpson said the fees still had to be calculated. The group discussed how many MG-2 permits would be requested.

Mr. Thomas questioned if they could get the MG-2 permit with the initial notification, which would be good until it expired, then notify the department and be subject to the permit fees.

Mr. Simpson said there was no expiration on the MG-2 permits. You apply for it once and then renew it annually. There are fees associated with both. Mr. Simpson explained how the fees would be calculated. There is a difference between the upfront initial application fee, which includes the cost to develop the permit divided by the number of permits issued, and the annual fees, which are based on assessible emissions. There is also a fee requirement for drill rigs.

Mr. Thomas suggested that a good next step would be to identify the numbers and post them on ADEC's webpage.

Ms. Glover said BPXA supports the AOGA/ASA comments that were submitted.

Ms. Koch thanked everyone for attending the meeting. We will follow up on the action items including development of the Technical Committee for Cook Inlet, communicating with this workgroup, and posting information on the website.

The meeting adjourned at 10:30 a.m.

TRANSCRIBER'S CERTIFICATE

I, Gloria Schein, hereby certify that the foregoing pages numbered 2 through 66 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 July 12, 2018, 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