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December 15, 1997

Mr. Mike Krupa

Safety Chairman

International Association of Drilling

Contractors, Alaska Chapter

P.O. Box 240845

Anchorage, AK 99524-0845

Dear Mr. Krupa:

I am responding on the behalf of Michael Conway, to your December 4, 1997 letter and your December 8, 1997 visit regarding the effect of Alaska's air quality laws on emissions from oil drilling rigs. I thank you and the other members of the Alaska Chapter of the International Association of Drilling Contractors (IADC) for traveling to Juneau on December 8 to discuss oil drilling operations. Your input is important to us. It helps us understand the effect of Alaska's air quality laws on your operations, which leads to better decision-making for everyone.

You expressed concern that the Department has established a goal to reduce drilling rig emissions. I assure you that the Department is not taking actions to reduce drilling rig emissions that are contrary to the actions required by the State's current air quality laws.

As stated in my October 20, 1997 letter to you on the permit requirements for drilling operations, we have been asked by several industry groups to change the regulations that address emissions from oil drilling. One goal of the changes is to reduce emissions from oil exploration activities to the maximum extent feasible. Other equally important goals include reducing the administrative costs incurred by State agencies and industry as a result of regulating air pollution from oil drilling activities, and striving to provide the maximum operational flexibility allowed under the Clean Air Act. We believe these goals, taken together, represent a balanced approach to managing the air quality resources of the North Slope, while ensuring the productivity of Alaska=s oil drilling businesses.

We also discussed whether Alaska=s permit program requires permits for a drilling rig. We stated that oil drilling rigs, in and of themselves, are not classified in State law as facilities requiring permits. However, we explained how a drilling rig could be part of a facility requiring a permit for other reasons. The most common examples of this case include facilities containing: 1) a flare with a capacity of greater than 100 MMBtu/hr or more; 2) sources that are subject to the federal emission standards listed in 40 CFR, Parts 60, 61, and 63; and 3) sources, excluding nonroad engines, that have a potential to emit greater than 100 tons per year of a regulated air contaminant. We pointed-out that our statutes require the facility owner to obtain the permit. In practice, the owner or operator of a facility is usually not the drilling rig owner.

Finally, we discussed how drilling rig emissions are sometimes regulated through Alaska=s construction permit program. We explained that a construction permit may contain requirements related to drilling rigs, depending upon the type of construction permit being obtained, the number and type of air pollution sources being permitted, and the operational decisions made by the permit applicant in the process of demonstrating compliance with the permit program requirements. In this process, the permit applicant proposes emission control requirements related to drilling rigs. These requirements are reviewed for compliance adequacy by the Department, and usually occur in the form of fuel quality, fuel quantity, control technology, and operating mode limitations.

In the meeting, we became more aware that the terms and conditions of permits can have a profound effect on your operational ability. As a result, I am directing my construction permit supervisor, Mr. James Baumgartner, to provide the Alaska Chapter of the IADC with a copy of proposed construction permits that include terms and conditions affecting the emissions of oil drilling. It is our hope that you will distribute the proposed permits to the member companies so they can provide us comment on the effects of the terms and conditions.

As stated previously, we are currently working on draft changes to the State regulations affecting emissions from oil drilling. The public process on these changes should begin in early 1998. We certainly plan to invite you and the Alaska Chapter of the IADC to the discussions on the regulations.

Please let me know if I can provide further assistance.

Sincerely,

John M. Stone, Chief

Air Quality Maintenance Section

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cc: Michael A. Conway, Director, ADEC/A&WQ

Robert W. Hughes, ADEC/AQM, Juneau

cc: (cont.)

James Baumgartner, ADEC/AQM, Juneau

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