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October 20, 1997

Mr. Mike Krupa,  
HSE Director Doyon Drilling, Inc.  
101 West Benson Boulevard, Suite 503  
Anchorage, AK 99503

Dear Mr. Krupa:

I am responding to your October 6, 1997 letter reiterating your April 30, 1997 letter regarding permitting requirements for portable/transportable emission sources. I apologize for our delayed response. Below, you will find answers to the questions in your letter and a recommendation for you to consider.

1. Does the miscellaneous drilling rig equipment (excluding non-road engines) constitute a facility, or is it a mobile source engaged in a construction project?

The short answer is that miscellaneous drilling rig equipment could constitute a facility. Alaska Statutes defines source to include any equipment that causes, or could cause, the release of an air contaminant. Mobility is not a factor that is used to determine if equipment is a source. In your case, any equipment associated with the drilling operation, including non-road engines, are considered sources, provided the equipment releases, or is capable of releasing, air contaminants. The Department considers drilling operations to be similar in nature to other portable operations that require permits such as asphalt plants, soil remediation units, and seafood processing barges. These facilities consist of a collection of sources that are relocated from site to site in the process of conducting business. Alaska Statute refers to these as temporary operations. In an effort to simplify the regulatory treatment of temporary operations, the Alaska Legislature gave ADEC the authority to issue a permit that is good for multiple locations. The Department is using this authority to issue permits for temporary operations so the facility can move throughout the state. You could use this approach for drilling operations that require a permit.

2. If a drilling rig moves onto an existing facility, must the equipment, excluding non-road engines, be regulated under the existing stationary source permit? Your question points out a difference between oil drilling activities and other temporary operations. Unlike asphalt plants and seafood processing barges, oil rigs frequently move onto permitted facilities.

Two regulatory questions arise whenever additional sources move onto a permitted facility.

First, do the sources modify the permitted facility such that a permit action is needed?

Second, will the additional emissions cause an ambient air quality problem?

In an effort to address the two questions using a common-sense, streamlined regulatory approach, the Department has determined that a permit action for an existing permitted facility is not necessary to allow for the operation of a drilling activity when:

- A. the permit for existing facility addresses the emissions from oil drilling activities;
- B. the oil drilling activity has a permit as a temporary operation and the permit contains conditions sufficient to prevent ambient air quality problems at the existing facility; or
- C. the drilling activity meets the separate facility test embodied in EPA's Major Source Determination Policy.

If none of the above conditions are satisfied, the Department interprets State law to require an owner or operator of the existing permitted facility to obtain a permit if the additional emissions triggers the permit requirements of 18 AAC 50.300(h).

3. In the absence of specific language, do federal NSPS and NESHAP standards apply to portable/transportable equipment (other than internal combustion engines)?

Alaska is not currently delegated all of the federal NSPS and NESHAP standards. As such, EPA is also responsible for implementing and interpreting these standards. If you could provide specific examples of concern, we can commit to working with you and EPA to obtain applicability determinations for your use.

4. Do emissions from portable/transportable sources need to be included in an otherwise required ambient analysis?

Yes, Alaska has not exempted any emissions from being considered in an ambient impacts analysis. However, an ambient impact analysis is only required in certain types of permit applications. See 18 AAC 50.310(d), 310(g), 310(n), and 335(f)(2). Also, permit applicants frequently exclude certain types of sources from being considered in the impacts analysis when the impacts of such sources are judged to have little or no ambient significance.

As a final note, I certainly recognize your need to have a regulatory system that provides flexibility and quick turnaround. After listening to your and others' concerns, I looked at the regulatory approach that California uses for certain types of portable equipment, including drilling operations. California uses a registration program in place of permit actions in their State Implementation Plan. I have discussed the use of a California approach in Alaska with EPA Region 10 representatives. EPA believes the registration approach is worthy of merit and further consideration for North Slope drilling operations. I encourage you to review the California approach and contact me if you would like to discuss it further. In addition, a commitment by the drilling operators and owner companies to explore the following emission reductions would significantly help ADEC obtain federal approval of a registration program for North Slope drilling activities:

1. Limits on the sulfur content of diesel used in internal combustion engines as necessary to protect ambient air quality throughout the area where the registration program applies.
2. Limits on emission of nitrogen oxides as necessary to protect ambient air quality and as representative of economically achievable emissions control.
3. Use and expansion of high-line power and gas-firing where feasible.

Please call me if you have any questions. I would appreciate if you could distribute this letter to the industry representatives copied on your letter. I will also place this letter on ADEC's Internet site.

Sincerely,

John M. Stone, Chief  
Air Quality Maintenance Section

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cc: Michael A. Conway, Director, ADEC/A&WQ  
Bonnie Thie, EPA Region 10, Seattle  
Mr. Mike Krupa

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