

NOTICE OF INTENT

Department of Environmental Quality
Office of the Secretary
Legal Affairs Division

Crude Oil and Natural Gas Production Facilities
(LAC 33:III.501 and 503) (AQ265)

Under the authority of the Environmental Quality Act, R.S. 30:2001 et seq., and in accordance with the provisions of the Administrative Procedure Act, R.S. 49:950 et seq., the secretary gives notice that rulemaking procedures have been initiated to amend the Air regulations, LAC 33:III.501 and 503 (Log #AQ265).

This rule revision will allow construction of minor source crude oil and natural gas production facilities, or any modification to such facilities, to commence upon submittal of a permit application as described in LAC 33:III.501.C.1, provided the source is not a Part 70 Source as defined in LAC 33:III.502 and the appropriate permit fee has been paid in accordance with LAC 33:III.Chapter 2. However, operation of such a facility, or any modification to such a facility, which ultimately may result in an initiation of, or increase in, emission of air contaminants as defined in LAC 33:III.111 shall not be allowed to commence until a permit has been issued by the department (unless expressly allowed by the facility's existing permit, in the case of a modification). The regulations currently prohibit commencement of construction or modification of any facility that ultimately may result in an initiation of, or increase in, emission of air contaminants until a permit (or other certificate of approval) has been issued by the department. This rule is also being proposed as a revision to the Louisiana State Implementation Plan for air quality. The basis and rationale for this rule are to facilitate environmentally sound development of the oil and gas industry within the state of Louisiana.

This proposed rule meets an exception listed in R.S. 30:2019(D)(2) and R.S. 49:953(G)(3); therefore, no report regarding environmental/health benefits and social/economic costs is required. This proposed rule has no known impact on family formation, stability, and autonomy as described in R.S. 49:972.

A public hearing will be held on July 25, 2006, at 1:30 p.m. in the Galvez Building, Oliver Pollock Conference Room, 602 N. Fifth Street, Baton Rouge, LA 70802. The hearing will also be for the revision to the State Implementation Plan (SIP) to incorporate this proposed rule. Interested persons are invited to attend and submit oral comments on the proposed amendments. Should individuals with a disability need an accommodation in order to participate, contact Judith A. Schuerman, Ph.D., at the address given below or at (225) 219-3550. Free parking is available in the Galvez Garage with a validated parking ticket.

All interested persons are invited to submit written comments on the proposed regulation. Persons commenting should reference this proposed regulation by AQ265. Such comments must be received no later than August 1, 2006, at 4:30 p.m., and should be sent to Judith A. Schuerman, Ph.D., Office of the Secretary, Legal Affairs Division, Box 4302, Baton Rouge, LA 70821-4302 or to FAX (225) 219-3582 or by e-mail to judith.schuerman@la.gov. Copies of this proposed regulation can be purchased by contacting the DEQ Public Records Center at (225) 219-3168. Check or money order is required in advance for each copy of AQ265. This regulation is available on the Internet at www.deq.louisiana.gov under Rules and Regulations.

This proposed regulation is available for inspection at the following DEQ office locations from 8 a.m. until 4:30 p.m.: 602 N. Fifth Street, Baton Rouge, LA 70802; 1823 Highway 546, West Monroe, LA 71292; State Office Building, 1525 Fairfield Avenue, Shreveport, LA 71101; 1301 Gadwall Street, Lake Charles, LA 70615; 111 New Center Drive, Lafayette, LA 70508; 110 Barataria Street, Lockport, LA 70374; 645 N. Lotus Drive, Suite C, Mandeville, LA 70471.

Herman Robinson, CPM
Executive Counsel

Title 33
ENVIRONMENTAL QUALITY
Part III. Air

Chapter 5. Permit Procedures

§501. Scope and Applicability

A. - C.1. ...

2. Except as specified in LAC 33:III.503.C, No construction, modification, or operation of a facility which ultimately may result in an initiation or increase in emission of *air contaminants* as defined in LAC 33:III.111 shall commence until the ~~permit application has been approved, an appropriate permit fee has been paid (in accordance with LAC 33:III.Chapter 2), and a permit (certificate of approval) has been issued by the permitting authority.~~

3. - 10. ...

AUTHORITY NOTE: Promulgated in accordance with R.S. 30:2011 and 2054.

HISTORICAL NOTE: Promulgated by the Department of Environmental Quality, Office of Air Quality and Nuclear Energy, Air Quality Division, LR 13:741 (December 1987), amended by the Department of Environmental Quality, Office of Air Quality and Radiation Protection, Air Quality Division, LR 16:613 (July 1990), LR 17:478 (May 1991), LR 19:1420 (November 1993), LR 20:1281 (November 1994), LR 20:1375 (December 1994), LR 23:1677 (December 1997), amended by the Office of the Secretary, LR 25:660 (April 1999), amended by the Office of Environmental Assessment, Environmental Planning Division, LR 26:2445 (November 2000), LR 28:997 (May 2002), amended by the Office of Environmental Assessment, LR 31:1063 (May 2005), amended by the Office of the Secretary, Legal Affairs Division, LR 31:2436 (October 2005), LR 32:**.

§503. Minor Source Permit Requirements

A. - B.3. ...

C. Crude Oil and Natural Gas Production Facilities

1. For purposes of this Subsection, a crude oil and natural gas production facility is any grouping of equipment where hydrocarbon liquids are processed, upgraded (i.e., impurities or other constituents are removed to meet contract specifications), or stored prior to the point of custody transfer; or where natural gas is processed, upgraded, or stored prior to entering the natural gas transmission and storage source category. Crude oil and natural gas production facilities are classified under Standard Industrial Classification Code (SICC) 1311. Operations engaged in processing, treating, or otherwise managing natural gas or hydrocarbon liquids after such materials have been transferred to a pipeline or any other forms of transportation do not constitute crude oil and natural gas production facilities.

2. Construction of a crude oil and natural gas production facility that is not a major source, or any modification to such a facility, may commence upon submittal of a permit application as described in LAC 33:III.501.C.1, provided the source is not a Part 70 Source as defined in LAC 33:III.502 and the appropriate permit fee has been paid in accordance with LAC

33:III.Chapter 2. Initiation of construction or modification is at the sole risk of the applicant. The department shall not be held liable for any expenses incurred by the applicant in the event the permit application is denied.

3. Operation of a crude oil and natural gas production facility, or any modification to such a facility, which ultimately may result in an initiation of, or increase in, emission of *air contaminants* as defined in LAC 33:III.111 shall not commence until a permit has been issued by the permitting authority.

4. Notwithstanding the provisions of Subparagraph C.3 of this Section, a modification to a crude oil and natural gas production facility which ultimately may result in an increase in emission of *air contaminants* as defined in LAC 33:III.111 may be effected without prior approval if expressly allowed by the facility's existing permit.

AUTHORITY NOTE: Promulgated in accordance with R.S. 30:2054.

HISTORICAL NOTE: Promulgated by the Department of Environmental Quality, Office of Air Quality and Nuclear Energy, Air Quality Division, LR 13:741 (December 1987), amended by the Office of Air Quality and Radiation Protection, Air Quality Division, LR 19:1420 (November 1993), amended by the Office of the Secretary, Legal Affairs Division, LR 32:**.

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES LOG #: AQ265**

Person Preparing Statement: Bryan D. Johnston Dept.: Department of Environmental Quality
 Phone: (225) 219-3118 Office: Office of Environmental Services
 Return Address: P.O. Box 4313 Rule Title: Crude Oil and Natural Gas Production Facilities (LAC 33:III.501.C & 503.C)
Baton Rouge, LA 70821-4313
 Date Rule Takes Effect: Upon Promulgation

SUMMARY
(Use complete sentences)

In accordance with Section 953 of Title 49 of the Louisiana Revised Statutes, there is hereby submitted a fiscal and economic impact statement on the rule proposed for adoption, repeal or amendment. THE FOLLOWING STATEMENTS SUMMARIZE ATTACHED WORKSHEETS, I THROUGH IV AND WILL BE PUBLISHED IN THE LOUISIANA REGISTER WITH THE PROPOSED AGENCY RULE.

I. ESTIMATED IMPLEMENTATION COSTS (SAVINGS) TO STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There will be no costs or savings to state or local governmental units as a result of this rule.

II. ESTIMATED EFFECT ON REVENUE COLLECTIONS OF STATE OR LOCAL GOVERNMENTAL UNITS (Summary)

There will be no effect on revenue collections of state or local governmental units.

III. ESTIMATED COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NON-GOVERNMENTAL GROUPS (Summary)

There would not necessarily be any impact on receipts or income to owners or operators of affected sources (crude oil and natural gas production facilities subject to the permitting requirements of LAC 33:III.Chapter 5) if an air permit has been obtained in advance of the anticipated construction schedule. However, if this is not possible, then the proposed rule change may allow for the overall construction process to be managed more effectively. Further, owners or operators would be

able to produce a well immediately upon issuance of an air permit if construction of the facility had already been completed; thus, revenue from that well would be generated sooner, though this wouldn't equate to increased income over the life of the well.

IV. ESTIMATED EFFECT ON COMPETITION AND EMPLOYMENT (Summary)

There will be no effect on competition; no effect on employment in the public or private sector will be realized.

Signature of Agency Head or Designee

Legislative Fiscal Officer or Designee

Herman Robinson, CPM, Executive Counsel
Typed Name and Title of Agency Head or Designee

Date of Signature

Date of Signature

LFO 03/09/2001

**FISCAL AND ECONOMIC IMPACT STATEMENT
FOR ADMINISTRATIVE RULES**

The following information is requested in order to assist the Legislative Fiscal Office in its review of the fiscal and economic impact statement and to assist the appropriate legislative oversight subcommittee in its deliberation on the proposed rule.

- A. Provide a brief summary of the content of the rule (if proposed for adoption or repeal) or a brief summary of the change in the rule (if proposed for amendment). Attach a copy of the notice of intent and a copy of the rule proposed for initial adoption or repeal (or, in the case of a rule change, copies of both the current and proposed rules with amended portions indicated).

This rule revision will allow construction of minor source crude oil and natural gas production facilities or any modification to such facilities to commence upon submittal of a permit application as described in LAC 33:III.501.C.1, provided the source is not a Part 70 Source as defined in LAC 33:III.502 and the appropriate permit fee has been paid in accordance with LAC 33:III.Chapter 2. However, operation of such a facility or any modification to such a facility which ultimately may result in an initiation of, or increase in, emission of air contaminants as defined in LAC 33:III.111 shall not be allowed to commence until a permit has been issued by LDEQ (unless expressly allowed by the facility’s existing permit in the case of a modification).

- B. Summarize the circumstances which require this action. If the Action is required by federal regulation, attach a copy of the applicable regulation.

LAC 33:III.501.C.2 currently prohibits commencement of construction or modification of any facility that ultimately may result in an initiation of, or increase in, emission of *air contaminants* until a permit (or other certificate of approval) has been issued by LDEQ. The proposed rule change will facilitate environmentally sound development of the oil and gas industry within the State of Louisiana.

- C. Compliance with Act II of the 1986 First Extraordinary Session

- (1) Will the proposed rule change result in any increase in the expenditure of funds? If so, specify amount and source of funding.

No, this proposed rule will not result in any increase in the expenditure of funds.

- 2) If the answer to (1) above is yes, has the Legislature specifically appropriated the funds necessary for the associated expenditure increase?

(a) _____ Yes. If yes, attach documentation.

(b) _____ No. If no, provide justification as to why this rule change should be published at this time.

This question is not applicable.

FISCAL AND ECONOMIC IMPACT STATEMENT

WORKSHEET

I. A. **COSTS OR SAVINGS TO STATE AGENCIES RESULTING FROM THE ACTION PROPOSED**

1. What is the anticipated increase (decrease) in costs to implement the proposed action?

No costs or savings to state agencies are anticipated as a result of this proposed rule.

COSTS	FY 05-06	FY 06-07	FY 07-08
PERSONAL SERVICES	-0-	-0-	-0-
OPERATING EXPENSES	-0-	-0-	-0-
PROFESSIONAL SERVICES	-0-	-0-	-0-
OTHER CHARGES	-0-	-0-	-0-
<u>EQUIPMENT</u>	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-
MAJOR REPAIR & CONSTR. POSITIONS (#)	-0-	-0-	-0-

2. Provide a narrative explanation of the costs or savings shown in "A.1.", including the increase or reduction in workload or additional paperwork (number of new forms, additional documentation, etc.) anticipated as a result of the implementation of the proposed action. Describe all data, assumptions, and methods used in calculating these costs.

There are no costs or savings associated with the proposed rule. No increase or reduction in workload or additional paperwork is anticipated.

3. Sources of funding for implementing the proposed rule or rule change.

SOURCE	FY 05-06	FY 06-07	FY 07-08
STATE GENERAL FUND	-0-	-0-	-0-
AGENCY SELF-GENERATED DEDICATED	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-
<u>OTHER (Specify)</u>	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-

4. Does your agency currently have sufficient funds to implement the proposed action? If not, how and when do you anticipate obtaining such funds?

No funds are required to implement the proposed action.

B. COST OR SAVINGS TO LOCAL GOVERNMENTAL UNITS RESULTING FROM THE ACTION PROPOSED.

1. Provide an estimate of the anticipated impact of the proposed action on local governmental units, including adjustments in workload and paperwork requirements. Describe all data, assumptions and methods used in calculating this impact.

No impact on local governmental units is anticipated.

2. Indicate the sources of funding of the local governmental unit that will be affected by these costs or savings.

There are no costs or savings to local governmental units; as such, no funding is needed.

**FISCAL AND ECONOMIC IMPACT STATEMENT
WORKSHEET**

II. EFFECT ON REVENUE COLLECTIONS OF STATE AND LOCAL GOVERNMENTAL UNITS

A. What increase (decrease) in revenues can be anticipated from the proposed action?

There will be no effect on revenue collections of state or local governmental units from the proposed action.

REVENUE INCREASE/DECREASE	FY 05-06	FY 06-07	FY 07-08
STATE GENERAL FUND	-0-	-0-	-0-
AGENCY SELF-GENERATED	-0-	-0-	-0-
RESTRICTED FUNDS*	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-
<u>LOCAL FUNDS</u>	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-

*Specify the particular fund being impacted.

B. Provide a narrative explanation of each increase or decrease in revenues shown in "A." Describe all data, assumptions, and methods used in calculating these increases or decreases.

No increase or decrease in revenues will be realized.

III. COSTS AND/OR ECONOMIC BENEFITS TO DIRECTLY AFFECTED PERSONS OR NONGOVERNMENTAL GROUPS

A. What persons or non-governmental groups would be directly affected by the proposed action? For each, provide an estimate and a narrative description of any effect on costs, including workload adjustments and additional paperwork (number of new forms, additional documentation, etc.), they may have to incur as a result of the proposed action.

All crude oil and natural gas production facilities subject to the permitting requirements of LAC 33:III.Chaper 5 will potentially be affected by the proposed action. However, no effect on costs, including workload adjustments or additional paperwork, is expected.

B. Also provide an estimate and a narrative description of any impact on receipts and/or income resulting from this rule or rule change to these groups.

There would not necessarily be any impact on receipts or income if an air permit has been obtained in advance of the anticipated construction schedule. However, if this is not possible (e.g., if the projected commencement of construction is advanced, last minute design changes are proposed, etc.), then the proposed rule change may allow

for the overall construction process to be managed more effectively (e.g., by allowing the owner or operator to facilitate scheduling of essential personnel with delivery of large pieces of equipment).

Further, owners or operators would be able to produce a well immediately upon issuance of an air permit if construction of the facility had already been completed; thus, revenue from that well would be generated sooner, though this wouldn't equate to increased income over the life of the well.

IV. EFFECTS ON COMPETITION AND EMPLOYMENT

Identify and provide estimates of the impact of the proposed action on competition and employment in the public and private sectors. Include a summary of any data, assumptions and methods used in making these estimates.

There will be no effect on competition. No effect on employment in the public or private sector will be realized.