



April 29, 2010

Dear Council Member:

The minutes from our April 13, 2010 CAC meeting are attached. The next CAC meeting will be on **TUESDAY, MAY 11** beginning with dinner at 5:00 p.m. The meeting will run from 5:30 to 7:30 p.m.

Sincerely,

Ann L. Clancy, Ph.D.
Meeting Facilitator

Meeting Location: ConocoPhillips Learning Center
415 South 24th Street

CONOCOPHILLIPS BILLINGS REFINERY
CITIZENS ADVISORY COUNCIL
April 13, 2010

MEETING MINUTES

Present: Council members: Keith BearTusk, Shirley McDermott, Linda Pettengill, Jim Ronquillo, Emily Schaffer, Gladys Stahl, Richard Wilson,
ConocoPhillips management: Steve Steach, Reed Marton, Mark Hilbert
Facilitator: Absent

Absent: Steve Arveschoug, Paul Dextras, Hillary Harris, Nancy McCullough, David McGinnis, John Pulasky, Connie Wardell, Ernie Woods, Stella Ziegler

AGENDA

- Welcome/Introductions
- Team Report: Coke Drum Educational Opportunity
- Community Survey Report
- Neighborhood Eat & Meet Planning for 2010
- Refinery & Transportation Updates
- Next CAC Meeting: May 11, 2010

WELCOME/ANNOUNCEMENTS

Jim Ronquillo announced that the Community Outreach Fair, sponsored by the South Side Neighborhood Task Force, will take place on May 8 at Garfield School. The theme is one-stop shopping for job opportunities and education. Many groups and businesses will be featured there. He also reported there will be a TV interview about the partnership between MSU-B and the Garfield Community Resource Center. An aspect of the partnership is supporting people in their efforts to find employment. MSU-B offers outreach computer classes and GED classes there.

Richard Wilson announced that this year the COT Process Plant Technology Program class started with 47 students and 44 of those will be continuing next semester. All students complete a general first year of curriculum and the second year decide if they want to go into the Power Plant or Process Plant technology programs.

Shirley Dermot announced that the city of Laurel is seeking to establish a main street presence of its own (Main Street Streetscape) and change its image from that of a bedroom community for Billings. A new movie theater will be opening in Laurel.

TEAM REPORT: COKE DRUM EDUCATIONAL OPPORTUNITY

Steve Steach reported on the logistical plan and schedule of the Coke Drum Replacement Project as well as asked for input on a draft communication plan to the

community. The team met on April 6 and went over the initial draft communication plan and made comments which were incorporated in the plan Steve handed out. The outline of the plan is to meet with specific individuals and groups, mail out flyers, and talk to the media.

Steve presented a Power Point Presentation of the details of the Coke Drum Replacement Project:

- Involves replacing two coke drums within the refinery coker unit which upgrades heavy asphalt into lighter, more valuable gas oils and gasolines.
- The existing drums are almost 20 years old and need to be replaced.
- The drums, being fabricated in a specialty shop in Japan, are 24 feet in diameter, 100 feet long and each weighs 350 tons. They are so large they must be cut in half before shipment to allow for land transport.
- The drums will be shipped to the US by ocean freighter to the Port of Longview, Washington where they will be loaded onto a river barge for transport up the Columbia River to Lewiston, Idaho.
- From there land transport will consist of specialized beam and dolly heavy haul equipment to drive the drums from Idaho to Billings. Anticipating the road travel, highly detailed planning and permitting logistics have been developed to respond to the Departments of Transportation in each state.
- There will be two convoys of the 2 drum sections. The first will travel through Montana mid-May to mid-June. The second convoy will travel through Montana late June to mid-July.

Steve distributed copies of a draft communication plan and a meeting schedule of community groups as a vehicle for informing the public.

Draft Communication Plan

The plan includes notifying residents of Billings and Montana who are along the travel route as well as different city and county governmental representatives and groups including: the refinery's CAC, the two adjacent neighborhood task forces, major businesses along the route (MetraPark, Riverstone Health Clinic, airport, Crowne Plaza, etc.), local media, city council, county commissioners, fire and police departments, Chamber of Commerce board and board of the Big Sky Economic Development Corporation.

The key issues or messages will be:

- Safety first
- Qualified and properly equipped
- Careful planning and coordination
- Traffic management
- Investment in Billings

Different options in communicating to the public include:

- Media interviews with Gazette, two TV stations, and other local publications
- Presentations to different groups including the CAC, neighborhood task forces, city council meeting, county commissioners' meeting, Big Sky Economic Development board, Chamber of Commerce board, etc.
- Flyers will be distributed at the presentations and mailed to near neighbors along the transportation route within Billings.

Community Meeting Schedule

Steve handed out a meeting schedule with most presentations taking place in April and May. He said flyers will be prepared by the end of April. Since school will be out at the time of delivery of the drums, it was decided not to include them in the meeting schedule. There will be an article in the ConocoPhillips internal magazine called *Spirit*. Dave Galt with the Montana Petroleum Association advised that the city manager, fire and police chiefs in Lewiston, Idaho and Missoula be informed of the schedule.

CAC Feedback on Draft Communication Plan & Presentation Schedule

The following comments/suggestions/questions were recorded:

- Could present at a work session of the City Council.
- Call Tina, City Administrator, to set up a meeting with the Council, police and fire departments
- Ask Tina about how to contact the emergency responders (Jim will call Tina)
- This project can be presented at this year's Neighborhood Eat & Meet
- Alert CAC members about the exact date the drums come in
- Very impressive that ConocoPhillips is going to this level of detail with its community communication plan
- Inform all the print media like Outpost and Gazette
- Let Doris at the Community Development Board have a copy of this information and she can put it in the newsletters that go out to the neighborhood task forces
- Put the flyer into the neighborhood task force newsletters that go out monthly.
- Will there be anything on the ConocoPhillips website?
- When is the turnaround? Probably March 2011– exact dates not yet designated.
- Where are the drums going to sit in the refinery?
- The crane will create a lot of curiosity
- How about informing the Montana Highway Patrol?

Steve concluded by reporting that the world's biggest crane will be at the Billing refinery in February of 2011 to install the two large coke drums. He said that will be even more interesting to see when they lift the drums because they will be about 450 feet tall. It will take about 39 days to put the coker unit back together.

COMMUNITY SURVEY

MSU-B administered the phone survey and summarized the findings. Most of the community survey from 1990 was used again which was the last time the refinery sent out a community survey. Reed went through some of the high points of the survey. He had just received it that day so had no time to have copies made for CAC members.

- The survey was sent to 555 people. A disproportionate number of respondents had a college degree.
- 23% of respondents were aware of the CAC and of that 50% believed the CAC makes the refinery safer and another 44% thinks the CAC helps the refinery.
- Less than one-quarter of respondents were aware of the CAC
- There were some different brand differences in gasoline. The most frequent reasons given for where people buy gas was the location and price. Some responded that they avoid certain brands such as Exxon and Cenex.

- In the section on alternative fuels, over 90% supported availability and development of alternative fuels. 63% feel people would be forced to use alternative fuels if it was due to the environment limiting gasoline.
- One section asked about respondents' knowledge of ConocoPhillips and 39% thought corporate headquarters were in Billings, another 36% thought the headquarters were in the south somewhere. Most knew that Conoco gas stations are not owned by the company. 35% knew someone at ConocoPhillips. 59% thought ConocoPhillips cares about the community and 58% thought the refinery being in Billings was a good thing.
- In terms of local refining operations, respondents expressed fears of explosions or fires erupting.
- 56% were concerned about SO2 emissions and 57% were concerned about other refinery emissions. 34% recognized that current SO2 standards were the lowest they've been
- 71% were in favor of future industrial growth in the area. 66% preferred to attract clean industries to the area.

Some CAC feedback:

- Share the survey results internally with employees at the refinery
- Let the Outpost do a story about the survey results

Next steps:

- Ann send out copy to CAC members
- Go back to MSU-B and ask them to sort out the strengths & weaknesses and to pull out the top 10 and bottom 10 responses.
- Compare this one to the survey results from 1990
- Set aside time in the June 8 CAC meeting to discuss the results and maybe talk in small groups

NEIGHBORHOOD EAT & MEET PLANNING FOR 2010

It was agreed to stay with the theme that was proposed in the March CAC meeting and to host the event at Garfield Community Resource Center. Richard Wilson joined the Neighborhood Eat & Meet team.

Theme: Working Together to Educate our Youth

Focus: Adult education and partnership with MSU-B (to be clarified)

Food: Mexican food

Location: Garfield Community Resource Center

Possible speakers: Ron Sexton, retired Chancellor of MSU-B; Bob Carr, Director of the Garfield Community Resource Center talking about the joint project with MSU-B; Steve Steach talking about the efforts at the refinery to provide scholarships, etc.

Materials/activities: Displays, such as working equipment models from the College of Technology, and games and gifts in the gym. Possible interest in inviting the Yellowstone Amateur Radio Club which supports the LEPC.

Tentative dates: The event will be either Tuesday, September 14 or Tuesday, September 21.

Next steps:

- Ann to poll CAC members as to which date they prefer for the Neighborhood Eat & Meet
- At the first team meeting to be scheduled in May, clarify who the audience is and what the message is since this is a major shift in focus for this year's event from all the previous events

BILLINGS REFINERY UPDATE

Safety: No issues

Environmental: The FCC unit was shut down for 10 days because of some plugged pipes. The refinery proactively communicated with the Montana DEQ. Emissions were slightly above the opacity level. The refinery also informed the South Side Neighborhood Task Force about the incident and resulting emissions.

ConocoPhillips Corporate Analysts' Meeting

Steve Steach reported on a ConocoPhillips corporate analyst meeting that was held on March 24, 2010. The company's strategy was presented by Jim Mulva, Chairman and CEO, and by Willie Chang, Senior VP, Refining, Marketing and Transportation. Steve highlighted some of the observations and information:

- In terms of global refinery capacity vs. global oil demand, surplus capacity will shrink due to closures and recovering demand
- Key strategic objectives for ConocoPhillips upstream: exploit captured resource base, 100%+ organic reserve replacement, grow production/share, strengthen exploration, reduce operating costs and improve returns on capital
- Key strategic objectives for ConocoPhillips downstream: portfolio management (sell unprofitable assets such as service stations and marketing outlets), enhance margin, reduce operating cost, and improve returns on capital
- Key initiatives for 2010-2011: constrain capital program to highest return projects, execute \$10 billion two-year asset sales program, reduce LUKOIL interest from 20 to 10%, reduce debt ratio to 20%, increase dividend by 10% in 2010, and resume share repurchase program (\$20 billion available for share repurchase/debt reduction in next two years)
- The \$10 billion asset sales program: 60-80% is upstream
- Strategy implementation: shrink refinery investment from 28% to 15% by selling, joint ventures, trading value for upstream access and expanding upstream
- Cost to find and develop oil is estimated to move from \$16.42 billion to less than \$15 billion by 2012
- Decisive actions to increase value: sell assets and reduce debt, increase return on capital employed/cash return on cash invested, 10 billions of barrels of oil equivalent resources to reserves in 10 years, grow production per share 3% per year, increase distributions

Refining and Marketing

- Post merger: strong operating excellence; competitive, low-cost business, \$5 billion plus in asset sales
- 2010: drive \$500 million improvement, reduce capital spending, \$1 billion in asset sales

- Long-term expectation: refinery and marketing 15% of ConocoPhillips' portfolio, 10% plus returns, positive net cash flow
- 2009 improvement results in better than industry average utilization: cut \$1 billion in controllable costs, optimized crude and product slate, improved clean product yield by 1%, generated \$700 million plus proceeds from dispositions
- Peer comparison: ConocoPhillips exceeded peer range until last year; completing 5-year plan to divest company-owned retail assets in US, Southeast Asia, select European markets
- Future outlook: ConocoPhillips structured to be competitive: challenging market, regulatory and legislative environments, global economic recovery on horizon, ConocoPhillips portfolio positioned to respond well to improving light-heavy differential
- 2010 improvement initiatives: reduce operating expenses and optimization
- Strategic investments to enhance margin and improve returns: WRB Wood River CORE project starting mid-2011 integrating with Canada production; Yanbu export refinery opportunity; Wilhelmshaven upgrade project
- Downstream portfolio management: sold \$5 billion plus of assets since 2003, \$1 billion in asset sales in 2010, refinery dispositions and joint ventures, commercial arrangements to capture synergies and avoid capital, international opportunities
- Strategy summary: deliver operating excellence, drive \$500 million improvements, maintain disciplined capital spending, pursue portfolio options aggressively, and generate yield of 10% plus returns

TRANSPORTATION UPDATE

Safety: Great year, company overall doing well. Two weeks ago, the company was recognized by the American Petroleum Institute for most improved safety record

Environmental: There was a spill of one gallon at the Billings truck rack which was contained and documented.

Operations: In the first quarter of 2010, 285 right of way calls were recorded. The smart pigs were run in a couple of pipe lines in Yellowstone County which took substantial time to complete. An immediate report will be issued within 10 days but an analysis of all the data will take about three months. Two more people were moved into the Billings office, completing the 2009 restructuring.

Next Meeting Agenda – May 11, 2010

- Welcome/Introductions/Announcements
- Petroleum Geology Presentation: Upstream, Natural Gas, CBM, Endangered Species, Climate Change
- Update on Coke Drum Educational Opportunity
- Refinery & Transportation Updates
- Next meeting: June 8, 2010