



August 6, 2010

Dear Council Member:

The minutes from our June 8, 2010 CAC meeting are attached. The next CAC meeting will be the **Neighborhood Eat & Meet** to be held at Garfield Community Resource Center at 3212 First Avenue South on **TUESDAY, SEPTEMBER 21** beginning with dinner at 5:00 p.m. Following the Neighborhood Eat & Meet event, we will have a brief CAC meeting

Sincerely,

Ann L. Clancy, Ph.D.  
Meeting Facilitator

Meeting Location: Garfield Community Resource Center  
3212 First Avenue South

CONOCOPHILLIPS BILLINGS REFINERY  
CITIZENS ADVISORY COUNCIL  
June 8, 2010

MEETING MINUTES

**Present:** Council members: Hillary Harris, Shirley McDermott, Nancy McCullough David McGinnis, Linda Pettengill, John Pulasky, Jim Ronquillo, Emily Schaffer, Gladys Stahl, Connie Wardell, Ernie Woods, Stella Ziegler  
ConocoPhillips management: Steve Steach, Reed Marton  
Facilitator: Ann Clancy

**Absent:** Steve Arveschoug, Keith BearTusk, Paul Dextras, Mark Hilbert, Richard Wilson

**Guests:** Ken Ard, City Engineer; Elizabeth and Alice Stears, Senior High School

AGENDA

- Welcome/Introductions
- Petroleum Geology Presentation
- Update on Coke Drum Educational Opportunity
- Refinery & Transportation Updates
- Next CAC Meeting: June 8, 2010

WELCOME/ANNOUNCEMENTS

It was announced that Nancy McCullough is undergoing preparation for a bone marrow transplant and would no longer be able to represent the City on the Council. Flowers and a card signed by CAC members are to be sent to her along with a plaque honoring her service with the CAC.

Three guests were introduced: Ken Ard, City Engineer, possible replacement for Nancy representing the City; and Elizabeth and Alice Stears, two Senior High students who will represent the high school constituency on the Council. Elizabeth is a sophomore and Alice a senior.

Dave McGuiness, representative from MSU-Billings, was presented with a plaque for his enthusiasm and commitment to serving the Council. He will be replaced by Bob Carr, Special Assistant to the Chancellor of MSU-B who is in charge of the downtown campus and Director of Garfield Community Center.

REFINERY SECURITY REGULATIONS

Bill Faucett with ConocoPhillips Billings Refinery gave a presentation on refinery security regulations. He began with the US Department of Homeland Security's regulations standards which have been adopted by the Obama administration.

## **Chemical Facility Anti-Terrorism Standards**

On April 9, 2007, the U.S. Department of Homeland Security issued the Chemical Facility Anti-Terrorism Standards (CFATS) to identify, assess, and ensure effective security at high-risk inland chemical facilities.

ConocoPhillips has employed varying levels of Security Plans prior to and since the World Trade Center 9/11 terrorist attack. Security measures employ a layered protection model which includes: perimeter hardening, restricted access controls to and from the Refinery, force multiplier CCTV 24/7 surveillance, professional security guard staff, and information and data security protocols. There is also National Security Risk Level Awareness and Training.

Refinery security regulations at the Billings Refinery involve:

- Joint training exercises with Yellowstone County Sheriff's Department, Billings Police Department, SWAT, Bomb Squad and the FBI.
- Inspections when entering and exiting the Refinery
- Employee and Contractor FBI Criminal and Terrorist Background Investigations
- Annual Dept. of Homeland Security (DHS) Inspections
- Annual Global Security Audits

## **Evolution of the Terrorist Threat to the United States as of May 21, 2010**

Recent intelligence from the United States Department of Homeland Security included the following recommendations:

- Suspect any attempts by al-Qa'ida and affiliated operatives to try to conduct operations in the United States with increased frequency based on knowledge of Western and American culture and security practices.
- Let state, local, tribal and private sector partners play a critical role in identifying suspicious activities and raising the awareness of federal counterterrorism officials.
- Keep the DHS working with the FBI to ensure that State and Local Fusion Centers are aware of the current threat and indicators of potential terrorist activity. Fusion Centers are joint terrorism task forces that include federal, state, and local agencies working together, such as local law enforcement, National Guard, FBI, CSI, and NSC.

Bill noted that refineries in Montana are associated with transportation corridors in their areas so any disruption at the refineries would be a community disruption as well. The Billings ConocoPhillips Refinery works with a network of organizations to ensure high level security: Montana Homeland Security, Montana Infrastructure Protection Alliance, local law enforcement (police and Sheriff's Dept.), Montana All Threat Intelligence Center, and Yellowstone County Disaster and Emergency services. The Billings Refinery has submitted a security plan and is waiting to hear approval.

Bill played a video from the Colorado Information Analysis Center made for distribution to the public that educates on the eight signs of terrorism: surveillance of potential targets, elicitation of information related to potential targets, funding sources, impersonation or suspicious behavior, rehearsal of a terrorism event and deployment of a terrorism event. The video encourages citizens to be alert in case they observe any of these signs in their communities.

## COMMUNITY SURVEY DISCUSSION

Reed Marton distributed a summary sheet that has been incorporated into the ConocoPhillips CAC Local Survey that was conducted by MSU-B earlier this year. The survey was considered successful in representing the view of area residents regarding the CAC, local energy industry and environmental/economic concerns. The following observations were made:

- 6 in 10 residents feel good that CoP is part of the area economy and believe that the company cares about the community
- Between 50% to 60% of respondents were concerned about refinery emissions and 50% do not believe the CoP is really concerned about the environment
- Local residents have limited knowledge about CoP as a global company but greater knowledge about what the refinery produces locally. Few could identify all the ways refinery products are shipped
- The CAC was recognized by one-quarter of respondents and deemed useful by half the respondents for helping steer actions of the refinery. Most respondents viewed the CAC as a good idea.
- Area consumers tend to select where they buy gasoline based on location, not brand preferences. However, bad experiences with a particular brand drive some consumers to avoid that brand.
- Most local consumers support development of alternative fuels but don't have a favorite. Most believe conversion to alternative fuels will improve the environment and expect that to happen sometime in the future.
- Frequent safety concerns include possibility of fires or explosions and a strong fear of the known.
- Most respondents are very concerned about the local economy and favor industrial development but would like that growth to be in "clean" industries.

In comparing the results of this survey to a similar one conducted in 1990, Reed reported that respondents' views on many questions were influenced by what was happening around them. In 1990, respondents were first hearing serious discussion of ethanol as a gasoline replacement and seeing the results of the Exxon Valdez oil spill. These factors most likely influenced answers to some of the questions with Exxon (ExxonMobil) being singled out for additional criticism in 1990 and economic issues rising in importance in 2010.

### **Discussion Feedback to Survey Summary**

- It was pointed out that of the answers to the question about alternative fuels, 72 respondents marked the category "other" rather than any of the alternative fuels listed
- In terms of demographics of respondents, a disproportionate number of them were college educated compared to the overall population of Billings
- The 3 refineries are all excellent responders
- Prevention of disasters sets CoP apart

### **CoP Leadership & CAC Learnings from the Community Survey**

- There was nothing that illuminated or surprised us in the data; no real "aha's"
- Reinforced that the community is mostly unaware of CoP
- Fear factor around potential disasters
- The information doesn't change our direction

- Distinguishing between personal safety risks (slips, trips, falls) and process safety risks (multiple system failure in operations that could result in multiple fatalities)
- If leadership feels they didn't get value from the survey, might look at different questions next time and figure out what they want to learn
- Beat your own horn more
- Refineries get lumped together by the public
- People don't know about the CAC but they believe in its role
- Best thing for us is the SO2 analysis in the Gazette

## UPDATE ON COKE DRUM EDUCATIONAL OPPORTUNITY

Steve Steach reported that the drums have been in Lewiston, ID for the past couple of weeks. In terms of community outreach in Montana, efforts have gone well. There have been 10 public meetings and contact with local city officials and law enforcement along the route. A flyer will be sent to people and businesses along the route as well. Logistics in transporting the drums through Idaho have met with a few snags in terms of the need to relocate some power lines along the route, the necessity of crossing a bridge being resurfaced that has required additional public meetings and newspaper ads, and a mix-up with a separate effort on the part of ExxonMobil to transport 207 modules through Idaho and Montana. There was some confusion on the part of Idaho officials as ExxonMobil was also doing public meetings. The start date to bring the first shipment of the drums from Idaho to Montana is for June 28. The journey is expected to take 17 days till arrival in Billings.

## UPDATE ON CLIMATE BILL & OIL SPILL

### **Climate Bill**

Steve Steach reported on the American Power Act update regarding the climate bill:

- June 26, 2009: Waxman-Markey (HR 2454) passed in house
- September 20, 2009: Kerry-Boxer brought forward but not voted on
- Kerry-Graham-Lieberman worked on compromise bill bringing together criticism of K-B, the Senate Energy bill and some of the aspects of the Cantwell-Collins bill
- April 26, 2010: Graham dropped out at the last minute for political reasons.
- May 12, 2010: Kerry-Lieberman decided to bring the discussion draft forward as the "American Power Act"

In a news release, Jim Mulva, ConocoPhillips chairman and chief executive officer, commended Senators Kerry and Lieberman for their work in creating an effective sector approach framework for addressing U.S. greenhouse gas emissions, introduced on Capitol Hill in May 2010. The framework addresses the following areas of particular interest to ConocoPhillips:

- The energy intensive and trade-exposed nature of refineries
- A program to manage transportation emissions while supporting investment opportunities into low-carbon technologies
- Recognition of the role and benefits of natural gas in lowering carbon emissions

- A comprehensive, uniform carbon control strategy to replace Clean Air Act and varied state programs

Below is a table showing the major differences between the Kerry-Boxer bill and the American Power Act:

Description	Kerry-Boxer	American Power Act
Refinery Entry	2014	2013
Transportation Entry	2012	2013
Emission Reductions in 2020	20%	17%
Responsibility for tailpipe emissions	Refiners	Refined Product Providers
Phase out of Allowances	2026	2030
Refinery Allowances	1.05%	3.75%
Natural Gas Provisions	Negligible	Early Merchant coal retirement incentive

Steve reported on the progress of the priority issues of the climate bill:

<u>Priority Issues</u>	<u>Outcome</u>
Treatment of Transportation Fuels Refinery Allocation	Point of release further downstream Increased allocation; no small refinery carve-out
Natural Gas Treatment	Provision for early retirement of inefficient merchant coal plant; study group to investigate impact of incentives for retiring non-merchant inefficient coal plant
Federal & State Pre-emption Offshore Continental Shelf Access	Improved from Kerry-Boxer, but still holes Moratorium on new offshore drilling; states can prohibit drilling within 75 miles; new revenue sharing rules

### Update on BP Gulf of Mexico Oil Spill

Steve reported on his perspective of what has happened with the Gulf of Mexico oil spill:

- **Deepwater Horizon** was an ultra-deepwater, offshore drilling rig built in 2001 in South Korea. Owned by [Transocean](#), it was leased to BP until September 2013. In September 2009, the rig drilled the deepest oil well in history at a vertical depth of 35,050 feet (10,683 m) and measured depth of 35,055 feet (10,685 m).
- On April 20, 2010, an explosion on the rig left 11 crewmen dead. The resulting fire could not be extinguished, and on April 22, 2010, the rig sank, leaving the well gushing, causing an oil spill that has been considered to be the largest ever in the U.S. At the time of the accident, *Deepwater Horizon* was working on BP's

[Mississippi Canyon](#) Block 252, referred to as the [Macondo Prospect](#). The rig was last located 50 miles off the southeast coast of Louisiana.

- On April 30 the President directed the Secretary of Interior to evaluate precautions & technologies
- On May 27 Department of the Interior (DOI) issues Increased Safety Measures for Energy Development on the Outer Continental Shelf
  - 6 mo. moratorium on permits for new wells being drilled with floating rigs
  - Immediate halt to drilling operations on the 33 permitted wells
- DOI and Homeland Security are undertaking a joint investigation into the causes of the BP oil spill
- Gulf of Mexico provides 97% of Federal Outer Continental Shelf production
  - 7000 Active Leases, 64% in deep water
  - 50,000 wells drilled since 1947
  - Now approximately 3,600 structures
  - 2009 production = 31% of total domestic oil, 11% of domestic gas
  - By 2009, 80% of oil & 45% of gas in water > 1000 ft and nearly 4,000 wells at that depth
  - 700 wells in water depths > 5000 ft
- Pacific Outer Continental Shelf: 49 active leases off Southern California, 43 producing, no new leases since 1984
- Alaska: 675 Active leases, production from 1
- Atlantic: No leases or production
- \$200 Billion in Federal lease bonuses, fees & royalty payments since 1953: \$6 Billion in 2009
- 150,000 jobs provided

#### Spill & Blowout History

- Current BP Deepwater Horizon spill estimate (Wikipedia)
  - 12,000 to 100,000 B/D
  - Cap collected 10,000 B (10% to 83%) on 6/6/10
  - Cap collected 15,000 B (15% to 100%) on 6/7/10
  - 49 days as of 6/8/2010
  - 588 to 4,900 thousand barrels through 6/8/10 (Calculated)
- Total from all spills from 1960 to 4/10/2010 (5/27/10 DOI Report)
  - 232 Thousand Barrels
- From 1964-1970
  - 178 thousand barrels spilled due to blowout events
  - 13 thousand due to external events (hurricanes, ship collisions)
  - 30 thousand barrels due to a production fire
  - 135 thousand barrels released during blowouts during drilling, well completion or work over operations
- From 1971-2009
  - 1,800 barrels spilled due to blowout events
  - 425 barrels due to hurricane damage
- Since 1956
  - 15 blowouts resulted in at least 1 fatality
  - 3 events after 1986

#### ConocoPhillips Outer Continental Shelf (OCS)

- Offshore, ConocoPhillips operates the Magnolia Field (75% Interest) and has interests in

- Ursa, Princess (15.9% Interest) operated by Shell
- K2 (12.4% Interest) Operated by Agip
- Small interest in various OCS Gas Production
- OCS represents >5% of the total CoP Lower 48 Production of 487 MBOED (*Million Barrels Oil Equivalent per Day*)
- OCS represents >2% of the total CoP Production of 1,854 MBOED
- In 2009 COP participated in 2 significant deepwater discoveries
  - 18% Interest in the Tiber discovery
  - 40% Interest in the Shenandoah discovery
  - Both require future appraisal drilling
  - COP was the successful bidder on 27 blocks of Federal leases
  - COP had interests in 287 lease blocks totaling 1.1 Million Net Acres
- COP has no Major OCS Projects planned for 2010-2011
- In 2012+ COP plans to appraise the Tiber discovery time TBD

Steve concluded that ConocoPhillips continues to monitor and provide support to the oil spill response effort in the Gulf of Mexico, supplying technical advice and logistical assistance to BP.

## UPDATE ON NEIGHBORHOOD EAT & MEET

The Eat & Meet team and Ann Clancy presented the preparations made to date on the event. She distributed a draft flyer, draft agenda and draft survey form for approval by CAC members.

Date: September 21, 2010 starting at 5:00 p.m.  
 Location: Garfield Community Resource Center  
 Food: MSU-B catering service will serve Mexican food  
 Mailings: Invite schools on the Southside, send invitations to the residents in the Garfield area and school board members  
 Suggestion: Have John Pulasky interview someone from Garfield leading up to the Event  
 Logistics: Garfield will provide the tables, chairs, and sound system

## BILLINGS REFINERY UPDATE

**Operations:** There will be a story about the Billings refinery in the next ConocoPhillips *Spirit* employee magazine. Senator Baucus will be visiting the refinery on Friday to thank employees and to present the refinery with a plaque for voluntarily giving up more than 100 oil and gas leases near Glacier National Park. In April, the company gave back more than 200,000 acres to preserve the land.

## TRANSPORTATION UPDATE

**Environmental:** There will be a public meeting to discuss the Yellowstone Pipe Line to Spokane on the section running between Helena and Missoula. There was a landslide and the pipeline is moving. A bridge needs to be firmed up which will shut down supply for three weeks of work.

Neighborhood Eat & Meet Agenda – September 21, 2010  
Garfield Community Resource Center  
3212 First Avenue South

- Neighborhood Eat & Meet: *Working Together to Educate our Youth*
- Brief CAC Meeting