



May 29, 2010

Dear Council Member:

The minutes from our May 11, 2010 CAC meeting are attached. The next CAC meeting will be on **TUESDAY, JUNE 8** 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
May 11, 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
- Petroleum Geology Presentation
- Update on Coke Drum Educational Opportunity
- Refinery & Transportation Updates
- Next CAC Meeting: June 8, 2010

WELCOME/ANNOUNCEMENTS

Mark Hilbert led the meeting in the absence of the facilitator. There were no changes to the April 13 meeting minutes. There were no announcements.

PETROLEUM GEOLOGY PRESENTATION

Dave Galt, Executive Director of the Montana Petroleum Institute, and Ken Powers with the ConocoPhillips Billings Refinery made presentations on a number of topics related to Petroleum Geology.

Dave began with an overview of the petroleum industry in Montana which includes transportation, refiners, service companies and producers. He shared that oil and natural gas production tax revenue collections have been \$754,490,290 at the state level and \$730,403,908 at the local level for a total of \$1,484,894,198. Revenue collections peaked in 2008 and dropped in 2009. Dave talked about Montana statewide oil and gas production per year which has increased from 2000 through 2009. He compared rig counts in Montana, North Dakota and Wyoming, showing Montana to have the lowest number of the three states and then declining to its lowest number in 2009. While the number of rigs decreased in Montana over that time, it increased in North Dakota. Wyoming has had the greatest number of rigs in operation since 1999, only decreasing in number in 2008. Oil production by county was presented with Richland and Fallon showing the most oil production in the state.

Ken Powers gave a presentation on ConocoPhillips oil production in the Williston Basin located in the northern regions of Montana and North Dakota. ConocoPhillips enjoys a large mineral position in the Basin and engages in horizontal drilling. Surface holders in the basin include fee, BLM, USFS and the state governments. Drilling operations are spread over a 12,000 square mile area. Geographically, the basin has the world's largest horizontal water floods but has a low well count. Ken gave some statistics regarding ConocoPhillips health, safety and environmental regulation of the drilling sites in the area including increased site supervision, utilization of safety tracking programs, and training of employees and contractors. Facilities include 404 wells and 93 facilities. There are 6 rigs in use. Gross oil production is at 50,000 barrels per day and gross natural gas is at 12 standard cubic feet per day. Water produced and injected is between 47,000 to 115,000 barrels per day. ConocoPhillips employs 22 production/operations personnel and another 82 contractors. Key issues for the Williston area include logistics, the service company infrastructure, power reliability, weather disruptions, and third-party infrastructure. Ken also talked about the North Dakota Bakken oil field and the challenges it faces: higher pressure leading to brine contamination, geo-steering in the zone, optimum well design, and optimum fractionation design. He provided illustrations of different vertical drilling hole exits in the Bakken field

UPDATE ON COKE DRUM EDUCATIONAL OPPORTUNITY

Steve Steach reported that the coke drums had reached the state of Washington. He handed out a communication leaflet, entitled *Special Delivery to Billings*, which describes the safety measures, planning and coordination involved in bringing the new coke drums to the Billings refinery and which also identified frequently asked questions, such as: what are coke drums, why are they needed, when will they be delivered and installed and will their transportation harm roads. The leaflets will be mailed and passed out to interested groups and community organizations and to businesses and residences along the transportation route.

BILLINGS REFINERY UPDATE

Safety: No issues.

Environmental: The Billings refinery received a two-part violation from OSHA derived from the December 24, 2009 tank fire. ConocoPhillips will seek a more accurate justification since the statutes referenced in the violation do not appear accurate.

Operations: ConocoPhillips had a good first quarter earnings report compared to the previous two years. The primary driver has been the rebound in crude oil prices. Half of the 16 ConocoPhillips refineries, including Billings, reported a loss in that time frame.

Crack spreads (term used in the oil industry and futures trading for the differential between the price of crude oil and petroleum products extracted from it; that is, the profit margin an oil refinery can expect to make by "cracking" crude oil into petroleum products) did start to rise in April and look promising over the summer.

TRANSPORTATION UPDATE

Safety: There have been no recordable injuries for the Billings division year to date (that represents no recordable injuries in the Billings division for two years and one year for contractors). The Terminals group reached one million man hours without an employee injury on April 26, 2010. The North Salt Lake Terminal was recognized by the Utah Occupational Safety and Health Division for achieving Volunteer Protection Program (VPP) Star status. VPP Star locations exemplify outstanding safety and health

performance and North Salt Lake is the first ConocoPhillips terminal to be awarded a Star and recognized in the oil industry.

Environmental: There were no spills or releases to report.

Operations/Maintenance: There was one call for Yellowstone County and no update since April. In terms of projects and improvements, an internal inspection of the Seminole Pipeline has been successfully completed and no immediate repairs were found.

Next Meeting Agenda – June 8, 2010

- Welcome/Introductions/Announcements
- Update on City/County Fire training Facility Project
- Refinery Security Regulations Overview
- Update on Coke Drum Educational Opportunity
- Update on BP Oil Spill and Climate Bill
- Discussion of Community Survey results
- Refinery & Transportation Updates
- Next meeting: Neighborhood Eat & Meet, September 21, 2010