



November 8, 2011

Dear Council Member:

The minutes from the CAC meeting held at the College of Technology on October 11 are attached. The next meeting will be held on **TUESDAY NOVEMBER 8, 2011** 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
October 11, 2011

MEETING MINUTES

Present: Council members: Ken Ard, Steve Arveschoug, Keith BearTusk, Bob Carr, Hillary Hansen, Mike Kautzman, Paul Miller, Linda Pettengill, Dolores Terpstra, Richard Wilson, Ernie Woods
ConocoPhillips management: Steve Steach, Reed Marton, Mark Hilbert
Facilitator: Ann Clancy

Absent: Brittany Blood, Paul Dextras, Shirley McDermott, John Pulasky, Jim Ronquillo, Emily Schaffer, Gladys Stahl, Elizabeth Stears, Stella Ziegler

Guests: Dr. Marsha Riley, Dean, COT; Vern Gagnon, Interim Dean, COT; Bob Goode, Power Plant Instructor

AGENDA

- Welcome to College of Technology
- Debrief Neighborhood Eat & Meet
- Process Plant Technology Program Overview
- Refinery & Transportation Updates
- Meeting agenda for November 8 CAC meeting

WELCOME TO COLLEGE OF TECHNOLOGY

Steve Steach welcomed COT representatives and CAC members. Three COT guests were present: Dr. Marsha Riley, Dean, COT; Vern Gagnon, Interim Dean, COT; and Bob Goode, Power Plant Instructor.

Dr. Marsha Riley, Dean, welcomed members of the CAC to the College of Technology. She is in her third week as Dean. She thanked ConocoPhillips for its support of the Process Technology Program. She said that enrollment at the COT looks good. She reported that the Office of the Commissioner of Higher Education was holding community listening sessions at each of Montana's Colleges of Technology to discuss the Board of Regents' goal of extending the comprehensive two-year mission to each COT campus. The sessions are to seek input on the regent's goal to rebrand and rename the Colleges of Technology. There were three public "Listening Sessions" on October 5 at the MSU-B College of Technology. The College!NOW initiative is part of a grant from the Lumina Foundation, in which Montana was selected as one of only seven states nationwide for funding to strengthen its two-year colleges and increase access to affordable higher education options for all Montanans.

Dr. Riley stated that CAC members could complete a survey if they wished to provide their input. She will send a copy of the survey to Ann for CAC members. The following comments made by CAC members were recorded:

- ConocoPhillips refinery is expecting an increase in attrition as more employees reach retirement age which is 50

- *Is there public transportation from MSU-B to the COT?* They hope to have a bus transporting between the campuses
- *How many COT students use the dorms on the downtown campus?* There are about 90 people enrolled in the COT using the downtown dorms.
- It's a common misperception that MSU-B and COT are separate entities. In actuality, the same services are available to everybody, from housing to sports.
- There is a cafeteria on the COT campus.
- The Health Sciences Building is the newest addition to the COT campus. It's expected that a new Science Building will be constructed at the downtown campus.

DEBRIEF OF NEIGHBORHOOD EAT & MEET

Survey Results

Ann handed out a summary of the surveys that were collected at the 2011 Neighborhood Eat & Meet. There were 42 completed surveys. The majority of attendees were local residents and they heard about the event primarily through word of mouth and from the flyers and mailings that were mailed or dropped off. There were a few walk-ins. The best features were considered to be good food, good social meeting, appropriate length and content of presentations and the opportunity to learn and have questions answered. There were only a few comments regarding the length of presentations and not enough community participation. Other comments included the need for a better sound system. Members were pleased with the location and set up of this year's Eat & Meet and with the range of speakers from RiverStone Health's CEO to the Mayor and representative of the COT.

The majority of written comments were complimentary to the event, food and presentations. A number of comments thanked ConocoPhillips for hosting the event and for being a good corporate neighbor. The following questions and comments were recorded from the surveys about the general information presented:

Questions/Comments General Information

- Heard about the meters that help determine what happens when there is a problem but no information about what the community should expect (procedures) for the manner to evacuate
- Learned how we all work together for the community. The concerns of such a big company for the community are wonderful.

Questions/Comments ConocoPhillips Related

- Emergency release and community protection?
- Air pollution controls?
- Liked Reed's presentation on gases and monitoring them and how affected people are handled
- Other than jobs, how are you (company) giving back to community?
- When will you raise the new coker? What will be name of new company?
- When there is the announcement every Friday about noon, the words are not distinguishable – we have no idea what's being said

Action Item

It was agreed that answers be sent in response to the survey comments/questions about emissions, sirens and what to do in an emergency situation. A second mailing will be sent to participants as was done successfully last year. Reed will take care of this action item. Last year, Reed also included a copy of the Sustainable Development Scorecard and the tri-fold Shelter In Place materials.

2012 Neighborhood Eat & Meet

Next year's theme could be about the environment and perhaps the event could take place at the Northern Plains Resource Council building and include a tour. It is located on S. 27th St. A back-up option could be South Park, which was last selected as a site for the event in 2006.

Action Item

Linda Pettengill will find out who the Field Organizer at NPRC is and speak to her about holding the Eat & Meet there next year.

PROCESS PLANT TECHNOLOGY PROGRAM OVERVIEW

Richard Wilson, Program Director of the Process Plant Technology Program at the COT, showed the new simulation program that students now have the opportunity to use in gaining actual refinery or power plant onsite skills. Being able to use a simulator puts students six to twelve months ahead in their learning. It combines both control center and field operations in a 3-D model. Students can work as teams to go through operational problems, such as the ability to start and stop pumps and open and close valves. One of the greatest advantages is that the technology can simulate the outside environment with the internal environment resulting in increased learning on how to communicate with clarity and understand one another when they are using radios and can't see each other. The COT bought the technology and students pay a lab fee as part of their tuition costs.

Richard reported that he and Bob Goode, Power Plant Instructor, are changing the basic course curriculum to more closely simulate actual working conditions in either a refinery or power plant with more mechanical skill training involved. They have 47 students enrolled in the program, an increase over the 32 enrolled previously. There are four female students, one Hispanic, three Native Americans and an age range from 19 to 50 years old. The furthest placement of graduates has been in northeast Montana and Casper. The nearest similar schools are in Bismarck and Colorado. Marketing for the program is primarily word of mouth. They do go to Job Service and have booths at Career Fairs. They are planning to work with ConocoPhillips on presenting to middle school age students to get them thinking at a younger age of their work possibilities.

REFINERY UPDATE

Big Sky Economic Development Corporation Annual Meeting: Steve Arveschoug reported that his organization is inviting CAC members to attend and hear the keynote speaker from ConocoPhillips corporate office. ConocoPhillips is a member investor of BSEDC. It is a luncheon meeting to be held at Crowne Plaza. Another featured speaker will be Tom Rolfstad, economic development director from Williston, ND. Steve will speak on the strategic priorities and programs at Big Sky Economic Development (BSED). He reported that BSED is partnering with COT in doing a targeted industry analysis to determine where the best opportunities are for economic development efforts, such as energy development and workforce trends.

Steve Steach reported that there has been a change in speakers from ConocoPhillips and instead of Larry Ziemba; the speaker will be Rex Bennett, president of Strategy, Integration and Specialty Business. He is a chemical engineer from the University of Texas with a lot of overseas and business experience. He will be talking about the history of the Billings refinery, the coke drum replacement process, and the company's split into downstream and upstream operations.

ConocoPhillips Corporate Update

Refinery Being Sold

Steve Steach reported that ConocoPhillips is selling its Trainer, Pennsylvania refinery which employs about 400 workers. Workers are currently shutting down the refinery and could be out of work if a buyer is not found in the next six months. This follows a decision made by Sunoco to sell its refineries in Pennsylvania. The northeast is currently a challenging market for the refining business because of decrease in demand and increasing pressure from imported refined products.

ConocoPhillips Reorganization

On October 7, 2011, ConocoPhillips announced that the leaders for the two independent energy companies were chosen. Ryan Lance will become the chairman and chief executive officer of ConocoPhillips, the upstream company, and Greg C. Garland will become the chairman and chief executive officer of the downstream company. Jim Mulva, the current chairman and chief executive officer of ConocoPhillips will retire following the separation. The repositioning is expected to be completed in the second quarter of 2012. Lance was senior vice president, Exploration and Production, International for ConocoPhillips. A petroleum engineer, he has over 26 years of oil and natural gas industry experience in senior management and technical positions with ConocoPhillips, predecessor Phillips Petroleum and various divisions of ARCO. Garland was senior vice president, Exploration and Production, Americas for ConocoPhillips. He began his career as a project engineer with Phillips Petroleum and has been associated with ConocoPhillips, its predecessors and affiliated companies for over 31 years. From 2008 to 2010, he was president and chief executive officer of Chevron Phillips Chemical Company, the 50-50 joint venture of ConocoPhillips and Chevron. ConocoPhillips' interest in the joint venture will be transferred to the downstream company following the separation. He noted that Transportation and marketing will be linked with refinery production in the split.

Oil and Gas Industry Taxes

Steve distributed copies of a handout on state oil and gas industry taxes. The Joint Select Committee on Deficit Reduction, known as the Super Committee, is tasked with creating a plan to reduce the national deficit by the end of November. The oil and gas industry has become a primary target for raising taxes to increase revenue. Senator Baucus is one of the members of the Super Committee and has asked for constituent input to help the Committee find common ground. The handout presents a high level overview of the proposed tax provisions that are of significance to ConocoPhillips. There are three areas in which ConocoPhillips feels the oil and gas industry is unfairly impacted. First is the provision "dual capacity taxpayer rules" which imposes double taxation on income from oil and natural gas companies working abroad. This provision would eliminate the foreign tax credit thereby impacting the company's competitiveness and job generation. Second is Section 199 on domestic production activity. This would eliminate a tax reduction but only for oil and gas companies. This deduction has been available to all U.S. manufacturers and producers since 2004 to stimulate job growth. Third, repeal of the deduction for intangible drilling and development costs (IDC) would negatively impact this high risk business. IDCs are similar to research and development costs in

other industries and the repeal would result in lost jobs and jeopardizing domestic energy security.

Coke Drum Project: Steve distributed copies of an article in the Gazette from October 2 that reports on how the coke drums have been assembled and stand ready for installation in the spring. They have been insulated and welded together with no safety incidents.

Safety and Environmental: There have been no environmental or safety incidents.

Operations: The refinery has been running well.

TRANSPORTATION UPDATE

Safety and environmental: Mark Hilbert reported that both the safety and environmental records are doing very well. He noted that a pipeline in Laurel was found to be cracked but it was out of service and offered no spill risk.

Operations: Year to date there has been about 2500 call notifications that have been responded to. Flooding was quite a challenge in the spring and early summer. The company analyzed exposed banks and rerouted wherever it was necessary. ExxonMobil requested help with its emergency pipeline spill. Mark described a new “smart ball” that is being used in pipeline monitoring. It’s inserted as an acoustic tool to detect leaks and breaks.

Next Meeting Agenda: November 8, 2011

- Honoring Hillary Hansen
- TIF District Overview & Update
- Workforce Diversity Team Update
- Complete Streets Program Presentation
- Refinery & Transportation Updates
- Next Meeting: December 13

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