



May 26, 2011

Montana Petroleum Association, Inc.
406.442.7582 phone
406.443.7291 fax
mpa@montanapetroleum.org
www.montanapetroleum.org

Heard It Through The Pipeline

MPA WORKSHOP ON AIR REGISTRATION PROGRAM

MPA's Environment and Safety Committee met in Billings on May 18th & 19th. The keystone of the program was a series of presentations by Montana Department of Environmental Quality (MDEQ) staff from the Air Management Bureau. I hoped to accomplish several goals by asking MDEQ to make the presentations at our meeting. First, explain the issue with the State Implementation Plan (SIP) and how it relates to EPA. Second, discuss what MDEQ must do to resubmit the program to EPA. Third, to tell us what concerns they have with the program, if any. Finally, an update about the SO₂ NAAQs rules that may affect our industry. MDEQ hit a home run.

MDEQ pointed out several key items regarding the registration program. They explained that failure on the part of EPA to adopt our program through a SIP amendment does not change the current laws and rules in Montana. Further, the reason behind the decision of MDEQ to withdraw the first program submission was due to process issues not program issues. In other words, MDEQ explained that they need to do an analysis they refer to as a "110L" analysis to ensure to the EPA that the registration program in Montana still protects ambient air quality standards. One component the MDEQ needs to show in the 110L analysis is that the program is enforceable. MDEQ staff raised concerns about combustion devices used on upstream locations. In their opinion some devices fail to meet compliance with 40 CFR 60.18. They repeatedly said that MDEQ would not insist on a given technology, but they would insist that whatever device that is used is in compliance with the regulation (as they should).

MDEQ provided a detailed background on the SO₂ standards that impact Montana, in particular Yellowstone County. They gave a presentation that outlines how they intend to report to the EPA for the attainment status for the SO₂ standards in Montana. Montana's statement is due from Governor Schweitzer to the EPA by June 3rd. MPA will be reporting the action taken by the Governor.

The presentations and information used in Billings has been posted on the MPA website, under the articles and reports tab at www.montanapetroleum.org. You are encouraged to spend a few minutes reviewing these if you were not able to join us last week. Questions regarding the air registration program should be directed to the program supervisor, Dave Aguirre at 406.782.2689 ex 205.

MPA, API, Western Energy Alliance and the Montana Chamber of Commerce Intervene in BLM Greenhouse Gas lawsuit.

As you know the Montana Environmental Information Center has again filed suit against the BLM stating that their greenhouse gas analysis of the leasing program is inadequate. If you recall, the same suit halted the federal oil and gas leasing program while they assessed the impact of the leasing program on global climate change. BLM's finding of no significant impact was not acceptable to the

environmentalist community opposed to oil and gas and has taken the issue back to court. Recently, with API in the lead, our four organizations have intervened in the case to ensure that our interests are protected. Lead council on the team is Bill Mercer of Holland and Hart's Billings office. Our motion to intervene was approved by the court this week. MPA will keep you informed as the case progresses.

UPCOMING MPA MEETINGS

MPA PLANNING MEETING

The MPA Planning Meeting is fast approaching on June 21 – 22, 2011 at the River Rock Lodge in Big Sky, MT. For those not already registered, attached is a registration. **There are no more sleeping rooms available at the River Rock Lodge. We do have a room block at the Bucks T-4 Lodge located just down the road from the Lodge a couple miles.** The room rate at Bucks T-4 Lodge is \$125.00 + tax/night. **They will release the rooms on June 7, 2011**, so please make your reservations by then. Please call 800-822-4484, and ask for the Montana Petroleum Association room block.

MPA ANNUAL MEETING, PETROLEUM INDUSTRY APPRECIATION DAY LUNCHEON & GOLF TOURNAMENT

Please mark your calendars for the MPA Annual Meeting, Petroleum Industry Appreciation Day Luncheon, and Golf Tournament, August 30 – 31, 2011 at the Crowne Plaza Hotel in Billings, MT. We will be getting registration and sponsorship information out the beginning of June. We have a reserved a block of rooms at the Crowne Plaza Hotel. Please ask for the Montana Petroleum Association group rate to receive the rate of \$95.00 + tax. The Group Code is MPA. They will release the block of rooms on August 15th, so please make your room reservations prior to then.

We are very excited to have the keynote speaker for the Petroleum Industry Appreciation Day Luncheon as Jim Burkhard, HIS CERA Managing Director. The topic of his talk is "World Oil Trends and the Future of Crude Oil". Please see his attached biography.



May 13, 2011

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62ND LEGISLATIVE SESSION: END OF SESSION REPORT

MPA has compiled a closing report as of May 11th of bills of interest for the petroleum industry. There are still a few bills in the hands of the Governor that have not been signed or vetoed. Two of those bills are important to the industry and you will see they are noted in the tables. MPA will update membership on May 16th with the final action report. Please note that Dave chose what bills he thought were most critical to write up in this report. If there is a bill you would like to know more about please contact dave@montanapetroleum.org for further information. Remember you can go to the MPA website and get the status report for some detail and a hotlink to the bill. MPA continues to update the status sheet.

ENVIRONMENTAL QUALITY COUNCIL MEMBERSHIP ANNOUNCED

Congratulations go to Dexter Busby for his appointment to the council. The first EQC meeting is scheduled for May 24, 2011. Membership and the first meeting agenda can be viewed here: <http://leg.mt.gov/css/Committees/Interim/2011-2012/EQC/default.asp>

MONTANA BOARD OF OIL AND GAS CONSERVATION FRAC RULE

On June 15th in Sidney, Montana the Board of Oil and Gas will have a public hearing on the attached rule. The publication date is expected to be by May 26th, at which time MPA will forward the formal rule. The attached language was what was presented at the MBOGC meeting in Butte last month this language was approved for the formal process by the Board and I don't expect any changes in the published rule other than formal formatting.

UPCOMING MPA MEETINGS

MPA ENVIRONMENT & SAFETY COMMITTEE MEETING

There is a two day MPA Environment & Safety Committee meeting scheduled for May 18th & 19th at the Petroleum Club in the Crowne Plaza Hotel in Billings, MT. Please see the attached agenda. If you haven't let the MPA office know that you will be attending, please either call or email us at mpa@montanapetroleum.org.

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OTHER NEWS

THANK YOU TO 2011 NEW MEMBERS (4/18/11 – 5/12/11):

Companies:

Encore Energy/Vanguard; Wesco Operating



May 2, 2011

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62ND MONTANA LEGISLATIVE SESSION

The 62nd legislative session had the final adjournment, sine die, on Thursday, April 28th. I believe that the oil and gas industry fared well with no significant legislative impacts. MPA will develop and distribute an end of session report in the next week to ten days which will bring everything we worked on over the last 90 days into one packet. In the meantime, I want to thank all the members who engaged in the process and provided information and helped on a moment's notice. Legislative sessions are grueling in that many times we have little or no time to get information back to decision makers. In every instance, MPA members were there when asked. Thank you.

MONTANA BOARD OIL AND GAS CONSERVATION-FRAC RULE

At the regular business meeting of the MBOGC, Administrator Tom Richmond walked the board through the attached rule and briefly explained difference between this rule and his first draft that he had given them a few weeks earlier. There were only two comments from the audience, one was MPA. We thanked Tom for considering a few issues that I had raised with him and promised to attend the June meeting and provide comments. By a unanimous vote, the Board instructed Mr. Richmond to initiate the formal rule making process and use the draft rule as the submission.

Once the rule is published formally in the Montana Administrative Rule Register, MPA will get it out to members. The rule will look identical to the one attached, but there will be more administrative language and it will be formatted into ARM form. There will be a formal public hearing conducted by the Board at their June 15 meeting in Sidney. There will also be the opportunity to provide written comments. I would expect the comment period to close within a week or ten days after the June 15 meeting and a final decision (adoption) at their August meeting. I am not sure where the meeting will be held, but if there are MPA members interested in attending the meeting, we would help you get lodging arranged.

MPA/MBOGC 2010-2011 ESSAY CONTEST WINNERS ANNOUNCED

The winners of the Montana Petroleum Association/Montana Board of Oil & Gas Conservation District 2010/2011 Essay Contest are listed below. If you would like to read their essays, please go to www.montanapetroleum.org where they are posted.

1st Place Winner (\$2000 prize) – MacKenzie Lombardi, Sentinel High School, Missoula

2nd Place Winner (\$1000 prize) – Kalyse Engebretson. Red Lodge High School, Red Lodge

Runners Up (\$500 prize)

Katie Atherly, Red Lodge High School, Red Lodge

Bethany George, Red Lodge High School, Red Lodge

Calen King, Conrad High School, Conrad
Marilee Kneeland, Heritage Christian School, Bozeman, MT
Reesi Marquis, Frenchtown High School, Frenchtown
Stefani Pulse, Red Lodge High School, Red Lodge

OTHER NEWS

MPA PLANNING MEETING

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