

Montana Petroleum Association

phone (406) 442-7582 ♦ fax (406) 443-7291 ♦ mpa@montanapetroleum.org ♦
www.montanapetroleum.org

HEARD IT THROUGH THE PIPELINE

July 30, 2010

Executive Director's Note: It has been a busy summer working both state interim committee issues and federal legislation aimed at adding regulatory burden to our industry. I recommend that you take a few minutes and study this issue of Heard It Through the Pipeline, especially the news on Montana Energy Policy:

MONTANA ENERGY POLICY

The Energy and Telecommunications Interim Committee (ETIC) met on July 28-29. One of the tasks on the agenda was to review comments on the draft energy policy, make changes to LC 6000 draft that was approved at their May meeting (http://leg.mt.gov/content/Committees/Interim/2009_2010/Energy_Telecommunications/Meeting_Documents/July%2028-29/LC6000.pdf) and resubmit the bill for final public comment. The intent was to finalize LC 6000 as an ETIC bill at the September meeting. The following language was adopted in May and sent out for public comment in draft LC 6000:

- (b) supplement energy needs with renewable energy sources, while recognizing the value of existing coal-fired generation and its place in Montana's energy portfolio;
- (c) promote development of projects using technologies that convert coal into electricity, synthetic petroleum products, hydrogen, methane, natural gas, and chemical feed stocks, while substantially reducing the emissions of man-made greenhouse gases;
- (d) recognize that projects, like those in subsection (1)(c), will increase utilization of Montana's vast coal reserves in an environmentally sound manner, as a means of increasing the nation's energy independence;
- (e) increase local oil and gas exploration and development to reduce the recent decline in Montana's production levels, offer living wage jobs, and strengthen Montana's economy ;
- (f) expand technological innovation, including using carbon dioxide for enhanced oil recovery in declining oil fields;

Late on the first day's meeting, Senator Larson gave the committee a suggested redraft, in his words to attempt to put oil and coal equal footing with all other energy sources. His changes are shown below:

- (a) supplement energy needs with renewable energy sources, while recognizing the **cost and benefits** of existing coal-fired generation and its place in Montana's energy portfolio;
- (b) promote development of projects using technologies that substantially **reduce** the emissions of man-made greenhouse gases;

- (c) **encourage** projects, like those in subsection (1)(c), **that will** increase the nation's energy independence;
- (d) increase living wage jobs **in energy development**, and strengthen Montana's economy;
- (f) expand technological innovation, including using carbon dioxide for enhanced oil recovery in declining oil fields; **and for geologic sequestration and terrestrial sequestration.**

Please read the two versions carefully and the letters do not match

MPA opposed the changes in item (b) and (c) above claiming that only projects that reduce emissions will be encouraged. Further, it would give opponents of fossil fuel energy more reasons to oppose oil and gas. In addition to deleting reference to increasing local production, the language from Senator Larson also struck language recognizing Montana's refining industry as a large contributor to Montana's economy. The coal industry also opposed the amendments.

As the discussion moved forward, all the language for biomass, wind, electrical generation and other alternative energy sources was approved. Members on the committee restored language recognizing the refining industry but refused to restore the original items (b) – (f) above(first group). Billings Representative Driscoll voted to exclude language that the committee approved in May and she also voted Representative Tony Belcourt by proxy against the fossil fuel language. Also voting no were Missoula Senators, Erickson and Larson. It is worth noting that Representative Belcourt supported the language in person at the May meeting. Once the democrat members of the ETIC refused to add any fossil fuel language, the Republican members wisely refused to move the draft forward. Republican members of the committee are Representatives Duane Ankney (Colstrip), and Harry Klock (Harlowton) and Senators Jerry Black (Shelby) and Verdell Jackson (Kalispell). The draft died which means unless the ETIC reconsiders they will not have a bill to address the state energy policy.

See the Billings Gazette article here:

http://www.billingsgazette.com/news/state-and-regional/montana/article_32312858-9b77-11df-8600-001cc4c03286.html?mode=story

DRAFT LEGISLATION REGARDING USE OF STREAM BEDS

The following notice was just released from the Montana legislative Council. I think it would be good idea to have your legal or lands folks take a look at this particularly if you have a ditch, pipeline or other equipment near or under a stream bed. If you have comments or concern please forward them to dave@montanapetroleum.org.

The Environmental Quality Council is seeking public comment on [LC 8002](#), a piece of proposed draft legislation related to the public use of state lands. LC 8002 is the result of the committee's discussion and modification of Senate Bill No. 507, passed during the 2009

Legislature, that provides a process for those who use the beds of navigable rivers to obtain an easement, license, or lease from the state for that use.

MONTANA CONSERVATION AND RESTORATION PARTNERSHIP

Two years ago the Department of Fish, Wildlife and Parks (FWP) started this Partnership group with the goal of trying to implement the Department's comprehensive wildlife conservation strategy. The idea was to apply conservation efforts on **private lands** in an effort to keep all current species of wildlife in Montana from becoming endangered. From the beginning MPA had a seat at the table that was heavily tilted toward government and conservation groups, including our friends like the Montana Wildlife Federation and the Sonoran Institute.

The group spent quite a bit of time developing vision statements and the rules of engagement but as they listened to local groups around the state the Partnership realized that the one thing every group needed was money. We created a sub group to look at "new initiatives" which they did and came back with two options for raising funds. One was a legislative appropriation, the other, a statewide ballot initiative adding a few mills to property taxes across the state. Remember, this is for conservation projects on **private land** in Montana.

Some of us in the Partnership suggested that 2011 would be a poor time to ask for money either from the legislature or in the form of a tax increase based ballot initiative. Several in the group decided we needed to go around the state asking for input on the plan. Have I told you yet this is for conservation projects on **private land**? At several listening sessions around the state they were met with skepticism. Local conservation groups didn't understand the need for a statewide group, while they would like additional funding, they did not trust a Helena based group.

Over the last three months the Partnership has been struggling trying to determine what to do with itself. It was obvious that there would be no money, there is no local support, and all the coordinating could be done by existing government agencies. At the last meeting the group voted to disband. Yes, you read that correctly, voted to disband.

If you have a few extra minutes you might view the website:

<http://www.montanapartnership.org/> it will soon contain the exit document along with all the other visioning documents this group created. For all of you MPA members, put yourself in my shoes, attending a meeting every two months for the last two years working on the documents contained on the website. And no, I did not vote for the logo!

SENATOR MAX BAUCUS HOSTS ENERGY SUMMIT

US Senator Max Baucus is hosting an Energy Summit in butte Montana on September 13th and 14th. Senator Baucus' office has reached out to MPA and asked if we are interested in putting a panel together for the summit. If you have interest please contact Dave at

MPA@montanapetroleum.org Please visit this site for more information:
<http://www.montanaeconomicsummit.org/>

MEDICAL MARIJUANA GROUP

Under the leadership of the Montana Chamber of Commerce, MPA has been working on draft legislation to curb abuses with medical dope. There are all ready two bill draft requests to repeal the use of medical marijuana, but there is concern that since it was enacted by an initiative that a repealer might not pass. Our group has focus on tightening several issues with care not to mess with the established drug testing requirements. I have attached a copy in bill draft form. MPA asks two things. First, consider placing medical marijuana in your drug policies of you have not already done so. Second, please review the attached bill draft and email comments to dave@montanapetroleum.org.

MPA ANNUAL MEETING

The MPA Annual Meeting, Golf Tournament, and Petroleum Industry Appreciation Day Luncheon are just around the corner on August 31 – September 1. We will have a hospitality event in the Petroleum Club on Monday, August 30th from 5:30pm to 7:00pm for meeting attendees. Highlights of the 2010 MPA Annual Meeting are:

- | | |
|---------------------------------|--|
| Mon., August 30 th | 5:30pm - 7:00pm Hospitality event, Petroleum Club, 22 nd floor of the Crowne Plaza |
| Tues., August 31 st | 6:15am – Depart for fishing (<i>confirmed fishermen only</i>)
7:30am – 11:00am Board of Directors Meeting
8:00am “EPA’s Mandatory Greenhouse Gas Reporting Rule Seminar” – Trihydro Corporation
1:00pm Golf at Pryor Creek (shot gun start, please be ready to golf by 12:45pm)
6:30pm Reception & BBQ Dinner at Pryor Creek |
| Wed., September 1 st | 7:30am -11:30am Program Speakers
11:30am - 1:30pm Petroleum Industry Appreciation Day Luncheon – KEYNOTE SPEAKER – Tracy Evans, President & COO, Denbury Resources, “CO2-EOR: SOUND ENERGY AND ENVIRONMENTAL POLICY FOR AMERICA” |

If you plan to attend the MPA Annual Meeting you need to get your room reservations by August 16th to get our \$92.00 + tax conference rate. Please contact the Crowne Plaza at 800-588-7666 or 406-252-7400.

To all of you who have sponsored the meeting, THANK YOU. **If you would like to offer a sponsorship/contribution please contact Bobbie at mpa@montanapetroleum.org by Friday, August 20.** We want to make sure that if you intend to sponsor that your company

name gets the recognition it deserves throughout the meeting. We will take our sponsor information to the printer by close of business on Friday, August 20.

If you have any golf items that you would like to donate we would certainly appreciate that contribution. Sponsorship forms and registration forms are attached.

This year, we are offering MPA's service providers a chance to set up a table/booth on the third floor of the Crowne Plaza, Wednesday, September 1st on a first come, first serve basis. The cost is \$35.00. If you are interested in setting up a booth or a table, please contact Bobbie at mpa@montanapetroleum.org.

We are looking forward to a great turnout, and hope to see you there!!

THANK YOU TO 2010 NEW AND RENEWED MEMBERS (5/21/10 – 7/30/10):
CTC Engineering and Design Services; RSC Equipment Rental; and Tyco Thermal Controls