

Montana Petroleum Association

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www.montanapetroleum.org

HEARD IT THROUGH THE PIPELINE

January 29, 2010

DEMINIMUS AIR PERMIT EXCEPTION

For the last 13+ years Montana has had administrative rules that provide for an exception from Montana Air Quality permit requirements for small changes that have less than a 15 TPY impact. However, the EPA has never approved these rules for inclusion in the State Implementation Plan (SIP). Recently the EPA was sued for not acting on SIP amendments. As Region 8 went through their backlog of amendments, they notified the Montana DEQ that they were not comfortable approving our 15 TPY de minimus rule. Over the last several months the Montana DEQ air quality staff, including the agency director have been working with MPA and EPA to come to some agreement. EPA has agreed to a 5TPY exception. On January 22, the agency appeared before the Board of Environmental Review and asked that they initiate rulemaking to modify the Montana exemption to 5TPY. The copy of the rule is attached and the hearing will be March 11, 2010. If you have questions please contact Dave at MPA@montanapetroleum.org.

TRANSCANADA PIPELINE

On January 20, Governor Schweitzer sent a letter to the Montana Public Service Commission (PSC) inquiring about the extent of the PSC's authority to regulate pipelines. The Governor is expressly interested in whether the PSC has the authority to require an interconnection to the pipeline as it crosses Montana. The PSC has the issue scheduled on their work session agenda for February 2. The agenda is attached and you can watch or listen via the internet at the following site: <http://www.psc.state.mt.us/eDocs/#Calendars>

Related articles and information:

Schweitzer Wants Oil Companies In Montana And North Dakota To Be Able To Tap Into Proposed Pipeline

http://www.helenair.com/news/local/state-and-regional/article_4e0cf00c-0658-11df-9772-001cc4c002e0.html

Schweitzer's letter to the Public Service Commission - PDF: TransCanada's Keystone XL Pipeline request

http://bloximages.chicago2.vip.townnews.com/billingsgazette.com/content/tncms/assets/editorial/3/88/331/38833118-061e-11df-b431-001cc4c002e0.pdf.pdf?_dc=1264031272

UNITED PROPERTY OWNERS OF MONTANA (UPOM) DROPS PROPERTY RIGHTS INITIATIVE

UPOM was organized by several land owners in central Montana to confront government policies and practices that they felt devalued their property. Concerns include zoning, public access and wildlife management regulations. MPA shares some of these concerns and has met with the group in the past and follows their activities. Over the last few months they have been working on a ballot initiative that would require land owners to be reimbursed if a government action devalues their property. Last week, UPOM announced that it will not seek action on the November ballot, but rather they will work for a more precise solution in the coming legislative session. I think the initiative language merits our attention at least to understand concerns that Montana's surface land owners are facing.

<http://sos.mt.gov/Elections/archives/2010s/2010/initiatives/I-162.asp>

MPA HOSTS DEPARTMENT OF FISH, WILDLIFE, AND PARKS MAPPING DEMONSTRATION

Please mark your calendars for the **17th of March**. The Montana Fish, Wildlife and Parks Department is offering a presentation to the oil and gas industry of its new GIS based mapping program for critical wildlife habitat. You may recall that the Montana FWP has been involved with the Western Governor's Association (WGA) and their lead on the mapping part of their wildlife program. FWP plans to roll out this program for public use and would like the opportunity to give a presentation to oil and gas industry members. MPA will host the event at 2 PM on March 17th at the Crowne Plaza Hotel in Billings. If you are interested in this presentation please let Dave or Bobbie know by contacting us at: MPA@montanapetroleum.org. This is a unique opportunity, and your comments may be included in system changes to this program. MPA hopes you give this serious consideration.

NUTRIENT ADVISORY WORKING GROUP (NAWG)

The NAWG has been working toward resolution of numeric nutrient criteria for Montana's streams since June of 2009. At the December 2009 meeting, industry, including oil and gas, had the opportunity to present current technology and best practices that are in use across the state. As you know, the Montana DEQ is working to develop numeric criteria for nutrient loads that are allowed to be discharged into Montana waters. The problem that we have is that DEQ wants to place limits in law that we all know, industry and government alike, that cannot be met with existing technology. DEQ then would provide exceptions and/or variances for each permit application based on individual specifics. MPA finds this approach unacceptable, and continues to work with the NAWG to develop a workable solution. These rules will have a huge impact on MPA downstream members but also municipal waste treatment plants. EPA has forced Florida to develop numeric criteria and Montana is also being encouraged by EPA to adopt similar standards. MPA is extensively involved and the issue is complex. MPA will keep members advised as the process moves forward. If you have a particular question that is more detailed than this brief, please contact Dave at: MPA@montanapetroleum.org.

PROPERTY RIGHTS SEMINAR

The Montana Policy Institute and PERC are jointly sponsoring a seminar on property rights on February 18th in Bozeman. Montana nearly had a private property rights initiative on the

November ballot, it is apparent that there are many unanswered questions about this issue. The cost of the session is \$15 and includes lunch. Please see this website for more detail: http://www.montanapolicy.org/main/page.php?page_id=5

MONTANA PETROLEUM REPORT

In July of 2009 the MPA began a series of reports released over the internet called the "Montana Petroleum Report". These reports are meant to be brief issue statements that are written to update the general public, policy makers, media professionals, and our members on issues pertinent to our daily business. MPA's goal is to build an email database that includes as many Montanans as possible so that they begin to realize how our industry affects them, and how changes that impact us can relate to impact in their daily lives. We have built the database to over 1,400 recipients, and can use your help.

Please visit <http://www.montanapetroleum.org/reports.htm> and review the archived issues of the Montana Petroleum report, and if you are not subscribed please follow the instructions and get on board. Also, please forward this request through your offices so that all members and your employees are getting the report. Last, please feel free to encourage your non-industry friends to sign up and begin to learn about our concerns about everyday issues. Often times this is a side that our daily news sources fail to cover.

DON'T CAP OUR FUTURE

This is a national effort by the American Farm Bureau Federation and its associated state chapters. Montana kicked off their effort in late November at their annual meeting. This is agriculture's effort to notify Congress that Cap and Trade, as well as other burdensome climate change regulations, are not appreciated by the members of the Farm Bureau. One of their efforts is to get members to sign a hat or post card opposing climate change legislation and send it back to our Congressional delegation. The Farm Bureau will gladly take post cards signed by anyone. If MPA members interested in signing a "Don't Cap Our Future" card please contact Dave at MPA@montanapetroleum.org and we will send you as many as you wish. Also, Farm Bureau feels the message is still timely, because climate change legislation is still being actively discussed. Please view the following web site for more details: http://www.farmandranchguide.com/articles/2010/01/13/ag_news/letters_and_editorial/edit3.txt

FACEBOOK

Those of you who are FaceBook folks need to become fans of two pages. First, "Don't Cap Our Future" is an effort by the National Farm Bureau and its state chapters. This is a good page to track what is happening on the climate change front from our agricultural partners. The second page is the Montana Petroleum Association. I started that fan page during Christmas break and it has taken off to over 125 fans. It is nice to post a tidbit once a week or so then link back to website. I have noticed an increase in visits to the web page since then. And besides, the Petroleum Association of Wyoming has more fans that I do, and that my friends, is bothering me.

ARTICLES OF INTEREST:

Don't Cap Our Future:

http://www.farmandranchguide.com/articles/2010/01/13/ag_news/letters_and_editorial/edit3.txt

EPA Crafting Backstop Rule To Ensure States Limit GHGs In Permits – InsideEPA 1-28-09.
(please see attached)

THANK YOU TO 2010 NEW AND RENEWED MEMBERS (1/12/10 – 1/29/10):

Companies:

ATC Associates Inc.; Coalbed Natural Gas Alliance; Devon Energy Corporation; Enerplus Resources (USA) Corp.; ExxonMobil; Gray and Johnson PLLP; Hohn Engineering, PLLC; Holland & Hart LLP; Knapp Oil Corporation; Marathon Oil Company; MCR, LLC; Montana Overthrust Management LLC; Montana Refining Co.; Noble Energy; Remuda Energy Development, LLC; Sanjel USA Inc.; Shell Oil Company; TEC, Inc.; Three Forks Resources; WBI Holdings, Inc.; XTO Energy, Inc.

Individuals:

Bill Galt, Galt Aviation; Herb Thackeray, Herb Thackeray Petroleum Engineering; William Hansen; Jireh Consulting Services

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MONTANA ENVIRONMENTAL QUALITY COUNCIL:

On January 8th, on the last agenda item, the Environmental Quality Council (EQC) took up an issue regarding proposed rules being considered by the Board of Environmental Review (BER) to develop a “tailoring rule” for the Montana air quality program. MPA President, Brian Cebull, were able to get the BER action on the EQC agenda and discuss the impact of the proposed rules. The proposed rules are intended to establish a green house gas program in Montana for sources over 25,000 TYP and exempt sources less than that amount. The BER intention was to mirror the EPA tailoring rule. While we understand the need to protect small sources, MPA was extremely concerned and submitted the attached testimony making the following points:

- Montana should not be the first of 50 states to promulgate its own green house gas rule.
- The contingencies that were in the rule that determine if the rule becomes effective are of questionable legality.

- The arbitrary threshold numbers will not withstand legal challenge.
- The measure may be necessary, but is premature now.

After an hour of discussion a motion was made by Representative Milburn, based on the MPA suggestion to object to the notice. All Republican members, Brian Cebull, Jeff Pattison and Democrat Legislators Jim Keane and Brad Hamlett voted yes and the motion passed on a 10-6 vote.

This objection means the Board of Environmental Review cannot adopt the rule for 6 months from the date of publication or approximately mid June, 2010. The EQC can withdraw its objection in their next meeting on March 4-5, or by a conference call vote if deemed necessary. Thank you to all the made this effort a success.

Related Articles:

http://billingsgazette.com/news/state-and-regional/montana/article_28b7858c-fce0-11de-a475-001cc4c03286.html

http://billingsgazette.com/news/opinion/guest/article_5f93df32-fcdc-11de-9f9f-001cc4c03286.html

http://billingsgazette.com/news/opinion/guest/article_e3ee782e-fcdb-11de-9953-001cc4c03286.html

DEPARTMENT OF ENVIRONMENTAL QUALITY'S CLEAN AIR ACT ADVISORY COUNCIL (CAAAC):

The CAAAC will meet at 1:00 PM on January 13th at the DEQ building in Helena. The topics are the current green house gas rules that the agency is promulgating, revisions to the current de-minimus rule they will initiate, and an update on what to expect for 2011 fees. MPA's Environment and Safety Committee will be meeting in advance to discuss the agenda and will participate in the CAAAC meeting. If you are interested in being included in our E&S Committee meeting please contact bobbie@montanapetroleum.org for the conference telephone instructions.

COALITION FOR COMMON SENSE USE:

With the announcement by the Montana Wilderness Society and the Montana Wildlife Federation that they intend to promote additional wilderness along the Rocky Mountain Front, a new coalition has emerged. The Coalition for Common Sense Use had a kickoff fundraiser dinner in Conrad, on January 9th. The event was organized by several individuals in the area and led by Representative Llew Jones. Over 40 sponsors, including MPA, helped make the event a success. 300 tickets were made available and the dinner sold out. The place was jammed, including Commissioners and State Legislators from eight counties along the Front, from Lewis and Clark (Helena) to Glacier. Nationally recognized, Bruce Vincent, gave a very motivated and spot on speech about the need for Montana to use the state and federal lands we have in a wise and sustainable manner. The event was non-partisan and included a wide range of interests. Over the last four years that I have been at MPA, I have participated in quite a few of these types of events, but in

Conrad last Saturday, I saw something I have not seen before. The people at the event were energized; and they are angry, serious, organized and committed to do something about how our Federal and State lands area managed in Montana. I have attached a membership document for the CCSU and ask that you consider giving this group your support.

Related Article

<http://www.greatfallstribune.com/apps/pbcs.dll/article?AID=/201001080500/NEWS01/1080320>

THANK YOU TO 2010 NEW AND RENEWED MEMBERS (12/15/09 – 1/11/10):

Companies:

Aeon Energy Corp.; Ballard Petroleum Holdings, LLC; Bill Barrett Corporation; Bison Engineering, Inc.; CGRS; Davis Graham & Stubbs LLP; Decker Operating Company; Energy Laboratories, Inc.; EOG Resources; Great Plains Exploration LLC; Hancock Enterprises; InterTech E&E, LLC; Klabzuba Oil & Gas; Nance Resources, Inc.; Quicksilver Resources, Inc.; Somont Oil Company, Inc.; Water & Environmental Technologies; and WTR Consulting Engineers LLC

Individuals:

John Evans, Oilfield Consultings, Inc.; Bob Fisher, Fisher Holdings; Terry Holzwarth, Sequel Energy, LLC; Dallen Juelfs, First Interstate Bank; Robert Schalla, Cove Creek Resources, Inc.; Barb Skelton, Coal Black Cattle Co. & Consulting; Joy Stevens, Joy Stevens PLLC; and Janet Whitmore, Black Hills Exploration & Production