

Montana Petroleum Association

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www.montanapetroleum.org

HEARD IT THROUGH THE PIPELINE

December 23, 2008

LAW SUITS:

The Montana Department of Revenue (MDOR) has filed a motion to reconsider the Omimex Decision with the Montana Supreme Court. In addition, Montana's education lobby and the Montana Association of Counties have asked to file Amicus briefs in support of the Department's motion. The MDOR filing is attached.

Montana Environmental Information Center, OGAP, Earth Works, and the Earth Guardians have filed suit against the Bureau of Land Management's oil and gas lease sale process. I have attached a copy of the suit for your review. It just never ends!

MPA LEGISLATORS' BRUNCH:

A reminder that the MPA Legislators' Brunch is scheduled for January 25th in Helena at The Montana Club, 10:30am. This is a perfect setting to meet Montana's elected leaders. Lt. Governor John Bohlinger has called to accept our invitation. Please consider attendance. For those of you on the MPA Board of directors, a meeting will be held before the brunch at 8:00 on the January 25th. Those wishing to attend please contact

Bobbie@montanapetroleum.org

LEGISLATIVE STATUS REPORT:

Attached is our first 2009 Legislative Status Report (LSR). The LSR will continue to be updated through out the session, which will allow you to follow bills critical to the industry. Please familiarize yourself with the format. The Legislative Status Report will be mailed with our Legislative Highlights report every Monday beginning January 5th.

MPA HOLIDAY OFFICE HOURS:

The MPA Office will be closed December 24th and 25th for Christmas. In addition we will be closed December 31-January 2nd. Dave can be reached at 406-461-1314.

THANK YOU TO 2009 NEW AND RENEWED MEMBERS (12/11/08 – 12/22/08):

Aeon Energy Corp.; Ballard Petroleum Holdings, LLC; Bjork Lindley Little, PC; BP America, Inc.; Decker Operating Company; DLD Enterprises, LLC (lifetime member); EOG Resources; John Dolan, First Interstate Bank; Dallen Juelfs, First Interstate Bank; Golden Oil Company; Gulf Western Geophysical, LLC; Hancock Enterprises; Hughes, Kellner, Sullivan & Alke PLLP; Jefferson Energy Trading, LLC; Nabors Well Services Co.; Nance Resources, Inc.; NorthWestern Energy; Petro-Hunt, LLC; Quicksilver Resources, Inc.; Somont Oil Company, Inc.

MERRY CHRISTMAS!!



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December 11, 2008

2009 MONTANA STATE LEGISLATURE:

The 61st session of the Montana State Legislature convenes on January 5, 2009. 1838 bill draft requests have been received as of December 11th, so it promises to be a busy and frenzied session. Montana Petroleum Association (MPA) will be reviewing over 300 bills and reporting on the ones that have an effect on our industry. We know that all of you will be interested in what is happening at the Capital, and I would like to take a minute to explain our process. MPA will have weekly updates beginning with January 5th and they will be made up of two reports.

The Legislative Highlights will be emailed to MPA members every Monday morning. The Legislative Highlights report will summarize actions that took place the preceding week and

list hearings and important scheduled actions for the coming week. This will be the primary communication tool from MPA during the session. While we may send out individual alerts the majority of the weekly activities will be in the Legislative Highlights document.

We will also prepare an excel spread sheet that will track the bills that have impact to the industry. Once a bill is determined to have impact, we will provide a quick analysis and status information. You will be able to know what a bill does, how to see the bill text, and the current status for House and Senate bills from this analysis. The "Status Report" will be included with the Legislative Highlights each week. The Status Report will be updated whenever status changes and will be available to members in the Members Only section of the MPA website at www.montanapetroleum.org. If you do not have a log-on ID and password please contact Bobbie at mpa@montanapetroleum.org.

MPA is also working to establish a user friendly method of contacting your local Legislators on issues of importance to you and the industry. It is critical that each MPA member, especially those of you living in Montana, be prepared to send your Representative or Senator a message on bills of importance. I cannot over emphasize how important it is for your local Legislators to hear from you. MPA is doing everything we can to make that contact as efficient for you as possible.

Gail Abercrombie will again be providing MPA her lobbying and analytical skills in this session. Gail's expertise and knowledge will be critical to a successful session. Additionally, MPA also hired a Carroll College student as a legislative intern to help with bill analysis, member communication, and bill tracking. His name is Curtis Cornelius. Besides working 10 hours a week for MPA Curtis will carrying a full load for the semester including Army ROTC. Welcome Curtis. If you see email from Gail or Curtis please give their request your prompt attention. Many times during the session we will have information needs on very short notice, your understanding and cooperation is appreciated.

The MPA 2009 Legislators' Brunch is scheduled for Sunday, January 25th, 10:30am – 1:00pm at The Montana Club in Helena, MT. There is an MPA Board of Directors' meeting prior to the brunch at The Montana Club at 8:00am, so please make sure it is marked on your calendars. We have sent a sponsorship form with your dues for 2009 which were mailed last week. Your continued support is vital for a positive event. We hope that if your calendar permits that you can attend. MPA, in partnership with API, has the Capitol rotunda scheduled for the interactive API Tech Tour on Friday, January 23rd. If you would like to spend a delightful weekend in Helena, Montana I encourage you to extend your stay. Finally, every Wednesday during the session will we have the Oily's Lunch at Jorgenson's Restaurant. If you are in town please feel free to stop for lunch with your peers. We will discuss items for the next 5 days and if time permits other pressing legislative issues. It is a good time to cross check between ourselves to make sure nothing drops through the cracks.

WILDLIFE HABITAT CONSERVATION WITH OIL AND GAS DEVELOPMENT:

A bill draft to balance wildlife conservation and oil and gas development is ready for pre introduction which may bring the bill to a hearing early in January. A copy of the bill can be viewed here: <http://data.opi.mt.gov/bills/2009/lchtml/LC0078.htm>.

THE MONTANA SUPREME COURTS RULES ON OMIMEX:

The Montana Supreme Court has ruled, in a 7 to 0 decision, in favor of Omimex and the Montana Petroleum Association in its recent decision regarding central assessment of oil and gas production taxes. MPA anticipates that this decision will result in attempts to modify statute in the coming legislature. The following link takes you to the Supreme Court's website and all the briefs associated with this case including the final opinion:

http://fnweb1.isd.doa.state.mt.us/idmws/custom/sll/sll_fn_home.htm

The Montana Department of Revenue has expressed concern that the recent Omimex Decision will have an impact on other properties that have traditionally been centrally assessed. On December 9th, the Montana Association of Counties (MACO) filed a motion to the Supreme Court asking them to allow MACO to file an Amicus Curiae brief in support of a request to reconsider its opinion that is apparently going to be filed by the Montana Department of Revenue next week. The MACO request is attached for your review. Today the Montana Education Association/ Federation of Teachers and the Montana School Board Association have filed the same motion and are also attached.

DECEMBER STATE LANDS LEASE SALE:

Several parcels in Gallatin County were on the December 9th state lands lease sale and sold with no competitive bids received. This article in the Bozeman Chronicle gives a brief report on the sale:

<http://www.bozemandailychronicle.com/articles/2008/12/10/news/30auction.txt>

You will notice in the article mention of a letter filed by the Western Justice Associates regarding the sale, and their hopes that the sale will not be approved by the Land Board at their December 15th meeting. The Western Justice Associates are a trial lawyers group for people and the environment. I thought you might find their attached letter interesting. Also in the article there is a link on the right side to another oil and gas article regarding these parcels before the sale if you are interested.

MONTANA CHAMBER OF COMMERCE SURVEY:

The Montana P-Base survey of attitudes of Montana residents is being released by the Montana Chamber of Commerce. The top line is attached and you will find it interesting.

BLM ISSUES BOWDOIN NATURAL GAS PROJECT DECISION:

The life of the Bowdoin natural gas field in north-central Montana will be extended as a result of a Bureau of Land Management (BLM) decision.

Four companies have proposed a project to help maximize natural gas recovery in the field that is one of Montana's oldest. BLM completed an environmental assessment of the proposal last summer before reaching its decision. The decision is available online at www.blm.gov/mt/st/en/fo/malta_field_office/bowdoin_ea.html.

New and replacement wells will be drilled at an annual rate that would essentially keep pace with the retirement of older wells that are no longer productive. The new wells would keep the field productive for another 30 to 50 years.

“Production from some wells that were drilled in the 1940s would be restored by drilling new replacement wells from the original drilling pads,” said Donato Judice, BLM’s Great Falls supervisor. “In other instances, areas within the field that were previously passed over would be tapped to increase productivity.”

Generally, the Bowdoin field straddles the Phillips-Valley county line from the Canadian border south to U.S. Highway 2. The field has been active since the 1930s and currently contains about 1,450 producing wells.

THANK YOU TO 2009 NEW AND RENEWED MEMBERS:

7 O’s Oil Corporation; Bear Paw Energy LLC; D&M Water Service Inc.; Edmonds Energy Corp.; ENTRIX, Inc.; Gough, Shanahan, Johnson & Waterman; Jireh Consulting Services; Lee Law Office PC; Montana Refining Company; Siemens; Spence Accounts, Inc.; T-K Production Company; and Tom Ebzery