



June 2nd, 2021

Mr. David Glatt
Director
North Dakota Department of Environmental Quality
918 East Divide Avenue
Bismarck, North Dakota 58501

Subject: Meridian Energy Group, Inc. Davis Refinery
Permit to Construct No. PTC17020

Dear Mr. Glatt:

Meridian is making substantial progress in meeting the requirements for having commenced construction on the Davis Refinery as described in the Meridian letter dated April 14th, and as acknowledged in the DEQ letter dated April 28th, 2021. Although Meridian remains confident that it will be able to do so, the proximity of the June 12th deadline has put Meridian in a difficult negotiating position with respect to its contractors and funding partners and makes it increasingly difficult to balance the risks and rewards amongst the counterparties involved.

Therefore, Meridian requests that DEQ provide Meridian with a minor extension of the June 12th deadline for commencing construction. As described herein, Meridian believes that DEQ is justified in doing so because a substantial portion of the previous extension was consumed by the impact of COVID and by continuing permit litigation which was only resolved last September. Meridian is requesting a four (4) month extension to the PTC deadline, until October 12th, 2021.

Meridian believes that DEQ should agree to this extension of the PTC deadline for the following reasons:

COVID 19 Delays

The Covid 19 Pandemic made it impossible to conduct business activities in a normal manner for most of the original 18-month extension. In March of 2020 Covid 19 became an international pandemic and a National Emergency in the U.S. OPEC and Russia entered into an oil price war in response to predictions (EIA and other) of drastic reductions in demand for oil, gas and transportation fuel as a result of the pandemic, and actual reductions far exceeded the projections. Business and financial activity, as well as industrial supply chains, became virtually nil.

Signs of recovery have emerged recently and the long-term competitive position of Meridian and the Davis Refinery are enhanced by COVID, but the negative short-term impact of COVID is far from over. Financial markets are recovering and demand for oil and transportation fuel is rebounding. However, the ability to achieve closings of complex financing transactions has not improved, working conditions and

MERIDIAN ENERGY GROUP, INC.

16770 Imperial Valley Drive, Ste. 220, Houston, TX 77060

281.857.6799 (o) 281.857.6798 (f)

www.megicorp.com



habits are not back to normal and it takes substantially longer to reach required consensus and to document and implement decisions.

Continuing Litigation Impact

Further unexpected litigation delays eliminated about one-half the benefit of the first extension. When the first extension was granted on December 10th, 2019 both outstanding North Dakota Supreme Court cases – the PTC and the PSC Siting Jurisdiction - had been before the Court since March 2019. All parties, including DEQ, anticipated that both decisions would be forthcoming very shortly. In fact, the Court did not enter its decisions until July 2020 in the case of the PTC and in September 2020 on PSC Siting Jurisdiction. Permit litigation has a chilling effect on major project financings, and resolution of both lawsuits was necessary to move the Davis project forward. Allowing ongoing litigation to consume substantial portions of the timeline for any project empowers project opponents to frustrate public policy by delaying projects into oblivion.

It should be noted that despite the impacts of COVID and Litigation, Meridian has advanced Davis significantly during the past 15 months. Crude supply and offtake arrangements have been negotiated and Meridian has maintained property and development rights, engineering and operations readiness and advanced discussions with investors and lenders. Meridian can improve on its initial estimates of the timeline from full financial closing to commencing full commercial operations, but Meridian cannot recover the time lost from COVID and Litigation.

Meridian is continuing in its efforts to meet the June 12th deadline as described in the April 14th letter to DEQ. The schedule relief that is requested will enable Meridian to do so in an orderly manner that balances the interests of all project stakeholders, including the State of North Dakota, the local community, Meridian's project counterparties, and Meridian itself.

Meridian will continue to keep DEQ informed on its progress on the Davis Refinery. Meridian proposes that this should include a full project review meeting with DEQ, either by video-conference or in person at its Bismarck offices, at a date and time convenient to DEQ in mid to late July 2021.

Thank you for your time and consideration.

Sincerely,

W C Prentice

William C. Prentice
Chairman and Chief Executive Officer

cc: David Stroh
Jim Semerad