

Congress of the United States
Washington, DC 20515

October 17, 2013

The Honorable Edmund G. Brown, Jr.
Governor
State of California
State Capitol, Suite 1173
Sacramento, California 95814

Dear Governor Brown:

We are writing today to reiterate our support on the importance of ensuring a robust oil and natural gas industry in California. As the state moves forward with implementing new regulations related to well stimulation, we urge your administration to take into account the industry's importance to job creation and economic development in our state.

As you know, California is one of the leading states, along with Texas, Louisiana, Alaska and North Dakota, in the U.S. when it comes to domestic oil and gas production. Similar to these states, positive economic impacts from this industry are felt far beyond the immediate communities where these resources are being developed. Unlike other oil and natural gas-producing states that have persistently low unemployment, California's unemployment rate remains higher than more than half the states in the U.S. Our opportunity for similar economic success is well within our reach and we should strive to achieve it for the benefit of all Californians.

According to an American Petroleum Institute (API) report from May 2011, the oil and natural gas industry in California created over 908,000 direct and indirect jobs in 2009, with an associated labor income (i.e. wages, salaries, and benefits) of \$62.3 billion. These jobs accounted for 4.6% of our state's employment, as well as approximately 5.4% of California's gross domestic product at that time. Unfortunately, California today relies on 50% of its oil from foreign sources. This is troubling because it results in billions of dollars being sent overseas that could otherwise be invested in our state's economy to create jobs and build energy infrastructure.

With the potential of the Monterey shale formation and the advancement of extraction technologies to safely and cleanly produce oil and natural gas, California is literally sitting on top of a sea of Black Gold that could put our energy supply and economic prosperity in our own hands, not the hands of foreign nations. According to the Energy Information Administration, "the largest shale oil formation is the Monterey/Santos play in southern California, which is estimated to hold 15.4 billion barrels or 64 percent of the total shale oil resources" in the United States. To understand how this could affect our state, one should look no further than to North Dakota and Montana. In those states, oil and natural gas producers are developing the Bakken shale formation, and the positive economic impacts—low unemployment and robust economic growth—can clearly be seen. This expansion has been a game changer for these states and if similar policies were adopted in California, our economic revival could see no bounds.

On September 20, 2013, you signed into law SB 4, a bill that creates a new regulatory and permitting process for oil and natural gas well stimulation, including hydraulic fracturing and acid well stimulation. Of particular concern, this law could result in a massive slowdown in permitting if the application of the California Environmental Quality Act (CEQA) to the newly mandated permitting program is not structured in a streamlined and efficient manner. We appreciate your commitment to the principles outlined in your signing statement, specifically permitting efficiency, and we encourage you and your staff to be resolute in ensuring the program structure adheres to these principles.

Accordingly, we believe that any regulations developed by the State of California relative to hydraulic fracturing and well stimulation must first and foremost be based on facts, sound science, and take into account our state's existing and far-reaching regulations. Furthermore, we believe the implementation of SB 4 should be done in consultation with oil and gas industry experts and other stakeholders to ensure the regulations are reasonable and do not create a process whereby operators must wait extended periods of time to secure permits for critical operations that were previously approved in 10 days. In addition, the development of these regulations must not impose significant barriers to the potential development of the Monterey shale formation, nor require oil and gas companies to disclose confidential trade secret information to their competitors.

It is absolutely imperative that the new permitting program take into account the realities of how the oil and natural gas industry conducts their budgeting and planning efforts, scheduling of drilling rigs, and other routine daily activities. Unless the newly created program reflects these realities, we are concerned that energy production in our state will be severely curtailed. Not only should this program prepare our state for future development opportunities, it should also be mindful and protective of the current level of activity that has contributed to our state's economic base.

We want to be clear that we strongly support protecting underground drinking water supplies, which appears to be the one of the reasons for passage of SB 4. It is important to point out that the House Natural Resources Subcommittee on Energy and Mineral Resources received testimony earlier this year that states hydraulic fracturing has been occurring in oil and gas production in the United States for "over six decades with *no cases* [emphasis added] of contamination of underground sources of drinking water." The California Division of Oil, Gas, and Geothermal Resources website states that "California maintains a high, or higher, construction standard for all wells" compared to other states. Put simply, our state has some of the most stringent oil and natural gas production and environmental protection regulations in the country. Any hydraulic fracturing regulations must not end up being a solution in search of a problem.

As you work to implement SB 4 and with the California State Legislature on amendments to this law, we hope that you keep in mind that California and the Central Valley face some of the highest unemployment rates in the United States. Going forward, we believe the focus of the SB 4 implementation effort needs to be on creating jobs and reinvigorating our state's economy, while protecting our environment. Imposing a new permitting structure on the oil and natural gas industry that is intentionally designed to take months to approve permits or slow energy

development will discourage investment in our state and potentially force many small, independent oil and natural gas producers out of business. Obviously, this result would work counter to our mutual shared goals of economic growth and job creation.

We look forward to working with you on this issue to ensure California remains one of the top oil producing states in the nation and a prime location where entrepreneurs continue to want to start and do business that will create jobs and grow our state's economy. Thank you for your attention to this important issue.

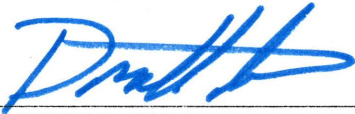
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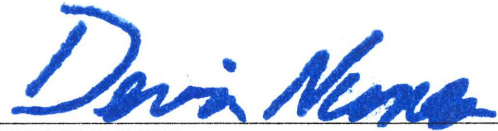
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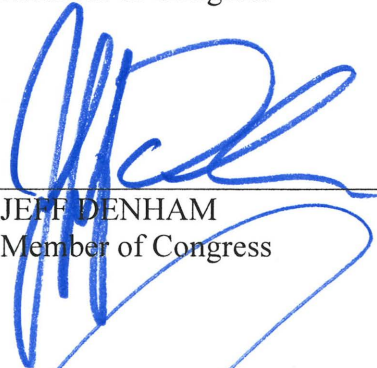
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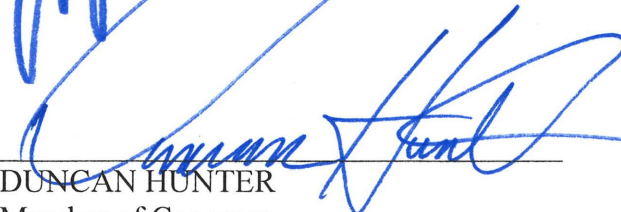
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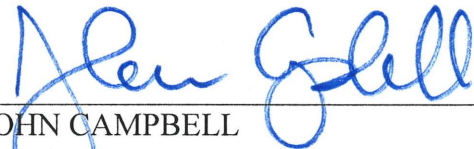
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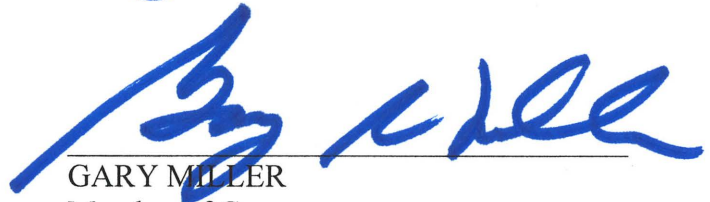
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