

EXHIBIT B



LIEUTENANT GOVERNOR ABEL MALDONADO

**MEMO: APPLYING LESSONS
LEARNED FROM THE DEEPWATER
HORIZON OIL SPILL**

*RECOMMENDATIONS ON BETTER PROTECTING CALIFORNIA'S
COASTLINES AND OCEAN WATERS*



To: Chair John Chiang, California State Lands Commission
Commissioner Ana Matosantos, California State Lands Commission

From: Commissioner Abel Maldonado, California State Lands Commission

CC: Executive Director Paul Thayer, California State Lands Commission
Governor Arnold Schwarzenegger

As Commissioners on the California State Lands Commission, we have been charged with the stewardship and oversight of offshore oil production leases in California state waters. This is a weighty responsibility. California's coastline and environmental assets not only are homes to a wide array of unique ecosystems that play a large role in our state's way of life, they are also the anchors to some of our biggest economies – tourism, fishing, seafood. In its tourism industry alone, California is on the receiving end of \$90 billion per year. California cannot become lax in its oil spill prevention regulations, and we must remain diligent on promoting responsible oil production. While governmental regulation should not be cumbersome, it does need to be stringent, effective, and make protecting the environment and the economy the top priority.

As our nation weathers a difficult recession, the Gulf of Mexico's Deepwater Horizon oil spill has compounded and exacerbated an already battered Gulf economy. Their coastal lands are threatened by millions of gallons of oil swirling in their waters, and currently endangering their fishing and seafood industries. Their tourism industry may be facing up to an 18 percent decline that could be directly attributed to the spill. This will have a devastating impact on the state's economy, where tourists and seafood wholesalers spend \$1.5 billion per year. Mississippi and Alabama similarly, also see tourism and seafood industry expenditures of \$5 billion annually. What's critical to note is that the Deepwater Horizon oil spill's environmental and economic impact will expand beyond the Gulf states and leave a lasting ripple-effect on the entire nation. Every state has a stake in their long and short-term environmental and economic recovery.

On July 26, 2010, I led the official California Delegation to the Gulf and brought economic and environmental resources to Louisiana to assist in its recovery from the catastrophic Deepwater Horizon oil spill. While there, I had a productive meeting with Louisiana state officials from the Office of State Lands and their Natural Resources Department to discuss best practices, lessons learned, and to strategize on better protecting California's coastline. It has now been widely reported that poor regulatory oversight contributed to the blowout explosion on the Deepwater Horizon oil rig. California already has a strong and unique oil spill prevention and response system, but with the risks of offshore oil drilling still frighteningly apparent, learning from another

coastal state recovering from an unprecedented disaster is an important step to ensuring California does not face its own epic oil spill catastrophe.

RECOMMENDATIONS

California's wells are different than the wells located in the Gulf of Mexico, with shallower waters and less pressurized drilling. However, blowout prevention practices and stringent oil spill contingency plans are paramount to preventing and responding effectively to catastrophic oil spills. Therefore I propose the following actions:

➤ **Revise Worst Case Discharge Scenario With Planning Standard of 30 Days**

In June, 2010, the Federal Minerals Management Services issued a National Notice to Lessees and Operators of Federal Oil and Gas Leases of the Outer Continental Shelf that made a series of spill prevention and response recommendations and mandates. Specifically, the Notice mandated that lessees recalibrate and update Lessees' blowout scenarios and worst case discharge scenario descriptions in their document they must file with the federal government. I recommend that the State of California aligns with the Federal governments standards by mandating that Lessees' update their oil spill contingency plans with a revised planning standard. Currently the planning standard in California is for a worst case discharge scenario in a 7 day uncontrolled release. To ensure the response plan is as effective and stringent as needed to protect California's coastlines, I propose the Commission recommend to the Administrator of the Office of Spill Prevention and Response to revise the planning standard to accommodate a thirty day uncontrolled release.

➤ **Examine Instituting Third-Party Inspections For Blowout Prevention Equipment**

In light of reports of infrequent and lack of comprehensive inspection of blowout apparatus in the Gulf of Mexico, I also recommend the Commission examine the efficacy of instituting third-party inspections, verification of designs and certification of operation for blowout prevention equipment on lessee platforms. Who would conduct the certification and inspections and how often they would need to occur can be recommended by Commission staff and presented at the next State Lands Commission meeting for Commissioner review.

Conclusion

California does indeed possess a strong and unique oil spill response and recovery system that is fully developed and functional. In times of catastrophe, however, it is our responsibility to ensure that every lesson that emerges be examined and applied as necessary. There is much to be learned from the Deepwater Horizon oil spill and Californians deserve our every effort to safeguard our natural resources. Given the stewardship entrusted to us, I encourage my fellow Commissioners to consider my recommendations and work with the Commission staff to implement these oil spill prevention policies that better protect our coastline and ocean waters.

Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Abel Maldonado". The signature is fluid and cursive, with a large initial "A" and a distinct circular flourish at the end.

Commissioner Abel Maldonado