



VIA FACSIMILE

January 8, 2010

Governor Arnold Schwarzenegger
916-558-3160 facsimile

RE: Opposition to Budget Proposal Reliance on PXP Tranquillon Ridge Oil Revenue

Dear Governor:

On behalf of Surfrider Foundation (“Surfrider”) and our over 30,000 members in the state of California, we are writing to express our vigorous opposition to your budget proposal for funding State Parks from Plains Exploration and Production (PXP) Tranquillon Oil and Gas project revenues. This budget proposal is in direct contravention with the state’s best interests for several reasons, including 1) the PXP project’s failure to obtain approval from the State Lands Commission, 2) the failure to fund State Parks with a reliable funding source, and 3) the repeated rejection by the Legislature in approving special legislation for Tranquillon Ridge Oil project approvals. This very project has already been analyzed and rejected by our own State Lands Commission on January 29, 2009 and rejected in the latest budget approval attempt this past July.

This proposal places our most precious state resources in jeopardy, our coastal environment and State Parks. By assuming that the State Lands Commission will approve the Tranquillon Ridge proposal and proposing special legislation as a back up, even though both of these methods of approval have been denied in the past, you are putting one of the state’s most precious resources, State Parks, at risk of denial of funding altogether. Furthermore, by alluding to special legislation to pass the project, you are once again attempting to circumvent the independence and authority of California’s state agencies charged with managing our public resources.

This project was denied at the State Lands Commission based on three overriding concerns. The contractual terms were secret and not available for public review, the terms of the deal were not enforceable given the Federal government’s statutory obligation to extract the resource, and the precedent it would set for additional drilling along the coast in federal and state waters. PXP has always had the right to bring their project back before the State Lands Commission but has continually tried to undermine and circumvent this process. In fact, the first time that PXP attempted to avoid the State Lands Commission review was via the budget process prior to the original SLC hearing in late January.

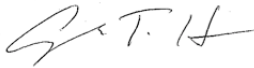
Over 100 environmental groups have objected to its inclusion in the budget, including the local environmental groups who initially supported the deal before the State Lands Commission. These types of budget approval attempts have also been opposed by Senator Barbara Boxer, Lt. Governor John Garamendi, State Controller John Chiang, the *Los Angeles Times*, the *San*

Francisco Chronicle and the *Ventura County Star* and many other legislators and individuals who object to this wholesale reversal of state policy.

A preferred alternative for providing additional revenue for the state budget is the option of imposing an oil severance tax, as is proposed in AB 1604. Imposition of this tax would provide California with close to \$1.5 billion dollars in revenue in this fiscal year. Given that every oil-producing state, including Texas, Oklahoma, and Alaska have such a tax, it makes sense to capture these potential revenues to fund public services.

The Surfrider Foundation strongly believes that this budget proposal is misguided and detrimental to our State's most precious resources. We oppose any effort to manipulate or circumvent the decisions made by the State Lands Commission, which would undermine important public processes established by the State of California. Furthermore, thousands of our individual California members have taken specific action to voice to you their opposition to past PXP budget deals. We urge you to reject this ill-advised budget maneuver, offer a sound funding source for our State Parks, and remove the PXP revenue proposal from the budget.

Sincerely,



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