



The Honorable Gavin Newsom
1303 10th Street, Suite 1173
Sacramento, CA 95814

July 10, 2019

Re: Conflicts of Interest at the Division of Oil, Gas, and Geothermal Resources

Dear Governor Newsom:

We have uncovered outrageous conflicts of interest at the state agency charged with oil and gas well approval and inspections that endanger the public.

Oil regulators should not be invested in the same oil companies that they regulate. However, a review of state conflict of interest disclosure forms found that eight top officials at the Division of Oil, Gas, and Geothermal Resources are personally invested in the oil companies that they regulate. This includes Deputy Director David Gutierrez, the top civil service official at DOGGR, who has up to \$100,000 invested in Exxon Mobil, a parent company of Aera Energy.

According to DOGGR's organizational chart, Gutierrez oversees three supervising oil and gas engineers who head programs, the senior oil and gas engineer in charge of monitoring and compliance of wells, and the supervising oil and gas engineer in charge of pipelines and facilities. Mr. Gutierrez also manages the well-stimulation program (SB 4), which includes hydraulic fracturing. All of these functions directly impact Aera's holdings in the state. According to Gutierrez's job description:

"The incumbent will have direct program management responsibility of the Division's Statewide Programs which include but are not limited to Underground Injection Control (UIC), SB 4 Well Stimulation, Orphan and Idle Wells, Enforcement, California Environmental Quality Act (CEQA), and Underground Gas Storage." Furthermore, he shall "Formulate/Revise and implement statewide policies in support of achieving the Division's mission to prevent damage to life, health, property and natural resources, while also encouraging the wise development of oil, gas and geothermal resources to increase the ultimate recovery of these natural resources."

AERA has received 149 of the 191 hydraulic fracturing permits issued by DOGGR thus far in 2019. The other 448 drilling permits it has received this year are also dependent on the compliance efforts Mr. Gutierrez oversees, as are the continuation of Aera's other wells in the state.

Government Code Sec. 87100 says a public official may not make, participate in making or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.

Mr. Gutierrez appears to be in violation of this code section as it is almost impossible for him to recuse himself on AERA's regulation given his duties. We are concurrently filing a complaint with the Fair Political Practices Commission.

In addition Thomas Goeres, Senior Oil and Gas Engineer Supervisor, has up to \$100,000 invested in Chevron and up to \$10,000 in Exxon Mobil. His job description states that he "will serve as the lead auditor for pipeline management plans, oil and gas facility pipeline, tank and equipment maintenance records, audits, inspections, and tests." Chevron has received 616 new permits from DOGGR this year and operates an oil field in Mr. Goeres' district. Both Chevron and Aera have received numerous permits in the district. A full list of all the conflicted officials and their holdings is attached to this letter.

Regardless of the legal outcome of the complaints we file with the FPPC on this matter it is morally and ethically wrong to have officials invested in the oil industry that they oversee.

These conflicts of interest may help to explain the rapid proliferation of oil wells in the first five months of your Administration. DOGGR has already approved 2,365 permits for reworking and drilling new oil and gas wells and 191 fracking permits. DOGGR's permit approval rate is now 30% faster than it was in 2018. Of the 2,365 well permits issued under your Administration, 1,064 or 45% of them benefitted oil companies invested in by DOGGR officials.

These conflicts and approvals reveal a biased department where oil well permitting is on automatic pilot. We ask that you immediately remove all the conflicted managers in the agency and begin a top-to-bottom ethics review. During this review, you should freeze all new oil and gas well permits until you can guarantee that decisions are made based on public safety, not pecuniary gain.

The political appointees in charge of DOGGR today are Brown Administration holdovers: Department of Conservation (DOC) Director David Bunn, DOC Chief Deputy Director Jason Marshall, DOGGR Supervisor Ken Harris and DOGGR Chief Deputy William Bartling, who previously worked at Chevron for over 14 years. Simply put, it's time for you to clean house at DOGGR and DOC by appointing new leadership that brings ethical decision making to the agency as part of a just transition. Now that you know about this problem, it is yours to fix. We urge you to act promptly.

This scandalous ethical breach is an opportunity to advance your stated goal of curbing drilling and fracking in the state. We urge you to act speedily and stand ready to assist. Reform begins with ethical and honest regulation.

Sincerely,



Jamie Court, President, Consumer Watchdog
Adam Scow, Senior Consumer Advocate, Consumer Watchdog
Brook Lenker, Executive Director, FracTracker Alliance

Name	Title at DOGGR	Investments
David Gutierrez	Deputy Director, Programs, Sacramento, Reports to State Oil And Gas Supervisor	Exxon Mobil-up to \$100k Magellan Midstream Partners-up to \$100K
Patricia Abel	District Deputy, Coastal District, Ventura County, Northwest LA, Southeast Santa Barbara	Conoco Phillips - up to \$100k Phillips 66 – up to \$100k
Thomas Goeres	Senior Oil and Gas Engineer Supervisor, Pipeline and Facilities, Coastal District, Reports to Abel	Chevron - up to \$100k Exxon Mobil -up to \$10k Schlumberger – up to \$100k
Richard Boyd	Senior Oil and Gas Engineer Supervisor, Underground Gas Storage, Reports to Alan Walker	Royal Dutch Shell – up to \$10k Viper Energy-up to \$100k Texas Pacific Land Trust-up to \$100K
Simeon Okoroike	Supervising Oil and Gas Engineer, Programs, Sacramento, oversees Enforcement Unit, Reports to David Gutierrez	Valero - up to \$10k
Christopher Phillips	Senior Oil and Gas Engineer Supervisor, Southern District	Occidental Petroleum-up to \$10k
Nicholas Abu	Senior Oil and Gas Engineer (supervisor), Underground Gas Storage Program, Sacramento, Reports to Wardlow	Owner, gas consulting business Sandstones Reservoir Solutions. Declared fair market value up to \$1,999.
Charlene Wardlow	District Deputy, Supervising Oil and Gas Engineer, Northern District, Sacramento	Exxon Mobil -up to 10k Valero – up to 10k BP – up to 10k