



May 7, 2024

Assemblymember Jaqui Irwin
Chair, Assembly Committee on Revenue and Taxation

Senator Steven M. Glazer
Chair, Senate Committee on Revenue and Taxation

Assemblymember Gail Pellerin
Chair, Assembly Committee on Elections

Senator Catherine Blakespear
Chair, Senate Committee on Elections and Constitutional Amendments

Legislative Office Building
1020 N Street
Sacramento, CA 95814

Re: Potential Tax and Public Disclosure Dodging Loophole

Dear Chairs,

We write you this letter to bring your urgent attention to what appears to be a loophole in tax law, election law, or both in the hopes that your committees can investigate this practice further and prevent the public interest from being undermined.

Our committee is currently engaged in a campaign to keep Senate Bill 1137 (2022 - Senator Lena Gonzalez) from being overturned by the oil industry's well documented brazen attempt through "blatant lies" to mislead Californians¹ into circumventing our democracy with a

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<https://www.kqed.org/news/11936230/blatant-lies-pro-oil-petition-drive-in-california-under-scrutiny-for-allegations-of-misleading-the-public>

shameless referendum attempt. While the oil industry has a longtime practice of misleading Californians - which is the subject of our state's current lawsuit against the industry² - we have noticed a troubling new development in their current attempt to overturn the Legislature's work to keep oil drilling a safe distance from schools and neighborhoods.

The oil industry is engaged in an unprecedented level of obfuscation in their attempt to hide from the public the true source of tens of millions of dollars of propaganda and disinformation. Please see our recently updated report exposing their over \$11 million shadowy effort "Big Oil's Dark Money Ad Campaign Exposed".³ It makes sense the oil industry would want to hide the source of their propaganda effort due to their recent unprecedented profits from gouging Californians at the pump - a practice that the Legislature and Governor has been valiantly attempting to thwart⁴. Simply put, taking advantage of Californians is extremely profitable for the oil industry.

However, we have uncovered what appears to be a way that the oil industry is using to bilk Californians even further - by exploiting loopholes in state law, their referendum campaign is dodging proper public disclosure and perhaps even dodging taxes.

In October and November of 2022, a political committee formed to overturn SB 1137 and reported receiving loans of \$14.4 million from just 14 oil companies. To date, that committee has not reported making a single payment against that loan, nor has it reported paying any interest on these loans. Imagine the economic stimulus to our state if Californians were able to receive such favorable terms from local lenders.

Contributor	City	State	Zip	Date	Amount loaned*	Subtotal, by Contributor
Carbon California Operating Company, LLC (Responsible Officer: Patrick McDonald)	Santa Paula	CA	93060	11/3/22	\$200,000.00	\$200,000.00
Cooper & Brain Inc*	Wilmington	CA	90744	10/14/22	\$24,481.00	\$24,481.00
Crimson Resource Management Corp	Denver	CO	80202	11/17/22	\$287,000.00	
Crimson Resource Management Corp	Denver	CO	80202	10/24/22	\$300,000.00	
Crimson Resource Management Corp	Denver	CO	80202	10/14/22	\$345,000.00	
Crimson Resource Management Corp	Denver	CO	80202	10/14/22	\$655,000.00	\$1,587,000.00
E & B Natural Resources Management Corp	Bakersfield	CA	93308	11/10/22	\$500,000.00	
E & B Natural Resources Management Corp	Bakersfield	CA	93308	10/27/22	\$650,000.00	
E & B Natural Resources Management Corp	Bakersfield	CA	93308	10/20/22	\$600,000.00	
E & B Natural Resources Management Corp	Bakersfield	CA	93308	10/14/22	\$1,200,000.00	\$2,950,000.00
Hellman Properties LLC (Responsible Officer: Devon Shay)	Seal Beach	CA	90740	10/31/22	\$100,000.00	\$100,000.00
Holmes Western Oil Corporation	Taft	CA	93268	11/17/22	\$150,000.00	
Holmes Western Oil Corporation	Taft	CA	93268	11/9/22	\$400,000.00	
Holmes Western Oil Corporation	Taft	CA	93268	10/14/22	\$450,000.00	\$1,000,000.00
James C. Hall, Including Drilling & Production Co.*	Torrance	CA	90501	10/28/22	\$21,734.00	\$21,734.00
Macpherson Oil Company LLC (Responsible Officer: Rubin Kim)	Santa Monica	CA	90401	11/17/22	\$286,000.00	

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<https://www.latimes.com/california/story/2023-09-16/california-sues-five-major-oil-companies-for-lying-about-climate-change>

3 https://www.cavsbigoil.com/Big-Oils-Dark-Money-Ad-Campaign-Exposed_Alt.pdf

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<https://apnews.com/article/california-oil-company-profits-penalty-bill-7092c33a80bcab63658e118bbcbabf1>

Contributor	City	State	Zip	Date	Amount loaned*	Subtotal, by Contributor
Macpherson Oil Company LLC (Responsible Officer: Rubin Kim)	Santa Monica	CA	90401	10/14/22	\$995,000.00	\$1,281,000.00
Naftex Operating Company	Bakersfield	CA	93307	11/7/22	\$25,000.00	
Naftex Operating Company	Bakersfield	CA	93307	10/14/22	\$25,000.00	
Naftex Operating Company	Bakersfield	CA	93307	10/14/22	\$50,000.00	\$100,000.00
San Joaquin Facilities Management, Inc.	Bakersfield	CA	93308	11/17/22	\$250,000.00	
San Joaquin Facilities Management, Inc.	Bakersfield	CA	93308	10/14/22	\$250,000.00	\$500,000.00
Sentinel Peak Resources California LLC (Responsible Officer: Sean Brake)*	Engelwood	CO	80111	11/17/22	\$500,000.00	
Sentinel Peak Resources California LLC (Responsible Officer: Sean Brake)*	Engelwood	CO	80111	10/14/22	\$995,000.00	\$1,495,000.00
Signal Hill Petroleum, Inc.	Signal Hill	CA	90755	11/17/22	\$500,000.00	
Signal Hill Petroleum, Inc.	Signal Hill	CA	90755	11/10/22	\$1,500,000.00	
Signal Hill Petroleum, Inc.	Signal Hill	CA	90755	10/14/22	\$302,183.00	
Signal Hill Petroleum, Inc.	Signal Hill	CA	90755	10/14/22	\$897,817.00	\$3,200,000.00
The Termo Company*	Long Beach	CA	90807	10/14/22	\$99,049.00	\$99,049.00
Vaquero Energy Inc	Bakersfield	CA	93309	11/17/22	\$300,000.00	
Vaquero Energy Inc	Bakersfield	CA	93309	11/10/22	\$500,000.00	
Vaquero Energy Inc	Bakersfield	CA	93309	10/14/22	\$197,450.00	
Vaquero Energy Inc	Bakersfield	CA	93309	10/14/22	\$802,550.00	\$1,800,000.00
TOTAL					\$14,358,264.00	

*The following contributors also gave outright contributions (not loans), which amounts are not included in the subtotals shown in this table: Cooper & Brain (\$24,000); James C. Hall / Drilling & Production Co. (\$33,601); Sentinel Peak Resources California LLC (\$3,005,000); The Termo Company (\$100,000).

Our campaign has consulted with legal counsel specializing in both elections and corporate tax law and the loans on their face appear to be legal. However, as no one can reasonably expect the multiple multimillion dollar companies to either "need" a loan nor be "paid back" on their loans, there must be another reason for these loans. At a minimum they are legitimate loans which may be paid back from the true contributors long after the ballots are cast - allowing the true contributors to dodge public disclosure. However, what may be more troubling is there is no existing law that expressly prohibits these companies from writing off these "failed loans" as a bad business investment and therefore avoiding taxes on that money. Could the oil companies really be greedy enough to want to overturn state law so they can drill for oil next to and underneath California schools and neighborhoods - while also avoiding taxes to do it?

The oil industry is currently engaged in a multimillion campaign to make the actions of the California Legislature and Governor irrelevant to their bottomless hunger for profit. One of the greatest powers in the arsenal of the people of California to protect themselves from out of control and greedy corporate interests rests with you and the Legislature's power to investigate, deliberate, and legislate. Simply put, we need your help.

If Big Oil has found a loophole to dodge both public disclosure and taxes, please close it. The public needs your protection from the insatiable greed of the oil industry.

Sincerely,

The Campaign for a Safe and Healthy California

Cc: Senator Lena Gonzalez