



Formerly The Foundation for Taxpayer & Consumer Rights

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January 8, 2009

Sen. Barbara Boxer
112 Hart Senate Office Building
Washington, D.C. 20510

California Atty. Gen. Jerry Brown
1515 Clay St., Suite 2000, 94612

Treasurer Bill Lockyer
915 Capitol Mall, Suite 110, 95814

Dear Sen. Boxer, Atty. Gen. Brown and Treasurer Lockyer,

We write to warn you of the alarming possibility that the Big West refinery in Bakersfield, which supplies 6% of diesel fuel and 2% of gasoline in California, may shut down for good. We urge you to launch an immediate investigation into whether Shell and possibly others are trying to artificially short the gasoline market and raise prices by refusing to make crude available to Big West, unilaterally shutting down pipelines to the refinery.

A Jan. 8 memo by the plant's union leadership (attached) relates statements by the plant's managers that Shell is responsible for shutting the pipelines and is demanding extortionate terms, even for a bankrupt company, for delivery of crude oil.

As you know, the refinery's owner, Flying J, is in Chapter 11 bankruptcy. The company is still operating its truck stops and a refinery in Utah. Big West, in Bakersfield, is largely not operating and shows no sign of emerging from a "10-day maintenance shutdown" that the company announced Dec. 30.

You will recall that your offices and ours prevented Shell Oil from shuttering this medium-sized refinery (68,000 barrels a day capacity) in 2005. You helped prove that, unlike Shell's assertions, the plant was profitable and that a ready supply of crude petroleum was available to it. Internal Shell Oil documents showed the company publicly misrepresented the conditions at the refinery in what appeared to be an effort to reduce California's already anemic refining capacity and spike fuel prices.

Under pressure, Shell ultimately agreed to sell Big West to Flying J, which had planned to upgrade and expand it before the bankruptcy filing. Now it appears that Shell is again

trying to shut down this independent refiner in order to artificially reduce the gasoline supply.

The owners of Flying J have not been publicly forthcoming about the refinery's situation. But the employee memo clearly indicates that two inbound crude oil pipelines and a key outbound pipeline, at least two of them controlled by Shell, are shut down. Shell is said to be demanding payment 30 days in advance to resume deliveries and shipments, refusing Flying J's proposal to pay eight days in advance. Other independent suppliers have reportedly offered easier terms, but need the pipelines to deliver oil.

The plant also cannot resume processing without Shell's outbound pipeline that takes away a heavy fuel product, gasoil, that must be further processed at another California refinery. (Big West cannot do this itself). Currently, plant sources tell us, the gasoil (or black oil) tanks at the refinery are "full to overflowing," meaning that production cannot resume until the gasoil flows out.

An analysis today in the Bakersfield Californian newspaper projects the potential Central Valley fuel price effect of a shutdown at up to 20 cents per gallon—a steep burden on a faltering economy. (See story at <http://www.bakersfield.com/102/story/656934.html>) The loss of Big West would put continuous upward pressure on fuel prices as demand rises, benefiting only the profit margins of the remaining major refiners in the state, including Shell, Chevron, Valero, BP, Conoco and Exxon.

We ask your aid in determining what is going on at the plant, and acting to avert a permanent shutdown.



Jamie Court
President



Judy Dugan
Research Director