

United States Senate

HART SENATE OFFICE BUILDING
SUITE 112
WASHINGTON, DC 20510-0505
(202) 224-3553
<http://boxer.senate.gov/contact>

April 28, 2004

Lynn Laverty Elsenhans
President Shell Oil Company
Shell Oil Products US
Po Box 2463
Houston, Texas 77002

Dear President Elsenhans:

Thank you for your letter of April 13 regarding Shell's decision to close the refinery in Bakersfield, California.

Shell Oil Company executives acknowledged last week that they had knowingly misrepresented the extent of Shell's gas and oil reserves for years. The impact was to artificially inflate Shell's stock price. Your company's admission of misleading investors and the subsequent dismissal of your Chief Executive Officer raises serious questions about the integrity of all financial information being shared with the public.

I am concerned that Shell may now be misrepresenting facts surrounding the planned closure of the 70,000 barrel-per-day Bakersfield refinery. For this reason, I ask that you submit to an independent audit of the conditions of the refinery for a potential buyer, and appoint a broker.

In addition, I ask that you explain the apparent contradictions between statements in your letter and internal Shell documents obtained by the Foundation for Taxpayer and Consumer Rights, and other statements made by Shell officials.

First, you claim that the plant is not "economically viable" and that the refinery has limited access to crude. An internal Shell memo from April 5, 2004 shows that Bakersfield had the biggest margins of any Shell refinery in the nation as of that date, at about 55 cents profit-per-gallon.

Second, you also state that in February of this year, even with rising margins, Shell could "utilize only 64 percent of the refinery's capacity largely due to our limited access to crude." Shell internal documents from February 2004 indicate the slow down in crude was not due to a

physical lack of it, but instead to mechanical problems with a hydro-conversion unit (HCU) compressor.

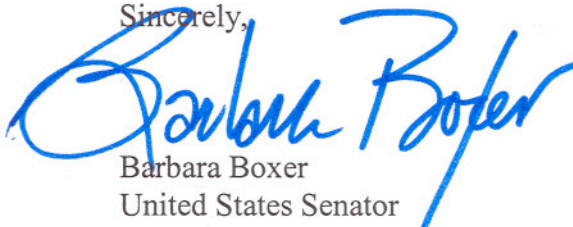
Third, you claim that no economical means exist to bring enough heavy crude to the Bakersfield refinery from other San Joaquin Valley fields. The fields connected by pipeline to Bakersfield, however, have some of the largest reserves remaining in the United States. Furthermore, internal Shell documents show that the refinery is currently processing a blend of "light crude" and not exclusively heavy crude, as your letter implies, and that the refinery can be adjusted, at minimal cost, to run on other types of crude.

Fourth, you claim that Shell has always been willing to entertain credible offers from potential buyers. Yet, when Shell announced in November 2003 that it was closing the Shell refinery in Bakersfield, California, company officials said they would not try to sell the refinery, but instead would dismantle it, and suggested that no interested buyers existed. Now, your letter states that nine potential buyers have expressed interest, and yet Shell has "not expended time or resources in an attempt to find a buyer and do[es] not intend to do so."

It is clear from your letter, and from the record, that Shell has done nothing and will do nothing to actively seek a purchaser for the Bakersfield refinery. I believe this is absolutely unacceptable. I urge you to submit to an independent audit of the conditions of the refinery for a potential buyer, appoint a broker, and immediately commit to postponing the October 2004 closure and demolition of the refinery to allow time for a sale to be completed.

Thank you for your attention. I look forward to your response.

Sincerely,



Barbara Boxer
United States Senator