EXHIBIT B

W 40821.2
W 17165

LONG BEACH UNIT
SAFETY AND POLLUTION PREVENTION AUDIT SCOPE

Purpose of Audit

This audit is being conducted pursuant to the direction of the State Lands Commission in conjunction with the approval of the LBU Program Plan (July 1, 2011 through June 30, 2016). The SLC, as a stakeholder in the LBU, is conducting this audit. The LBU is regulated and audited by other governmental agencies, such as the Department of Transportation, the California Department of Oil and Gas and Geothermal Resources, etc., and does not fall under the regulatory purview of the SLC. Additionally, the LBU participants regularly perform audits of their facilities to ensure that all operations are conducted in accordance with all applicable regulations, industry standards, and good oil field practices.

LBU Facilities to be Audited

The Safety and Spill Prevention Audit will include all areas of the four oil and gas production islands, the Pier J oil and gas processing facility, all onshore well areas that are part of the LBU, the Pier J oil storage tank farm, and the Broadway Mitchell gas processing and oil shipping plant. The facilities will be audited using the standards outlined in Exhibit C as a guideline with consideration provided for the original design, construction, operational history and performance of the facility. In cases where there is no applicable standard, the audit will ensure that the operation is in compliance with good oil field practice, as set forth in the LBU unit agreements.

Audit Activities

The audit work will be organized within these five categories: equipment functionality and integrity, technical, electrical, administrative, and human factors. Each of these five categories is described in more detail below.

Equipment Functionality & Integrity

The equipment functionality and integrity team will evaluate the physical condition of the facility, its equipment, operation, state of maintenance, and fitness for service. This team will conduct the field portion of the audit and the facility and process design information documents will be physically verified as to existing arrangement and operation. Design information including piping and instrumentation diagrams (P&IDs) and process flow diagrams (PFD) will be comprehensively checked for accuracy and to see if undocumented changes have been made. Checklists will be used to assess maintenance, condition, and

integrity or fitness for service of the piping, tanks, pressure vessels, and equipment from the wellhead to the sales and custody transfer point at the end of processing where the oil or gas leaves the facility. The long term monitoring and maintenance of other major equipment such as compressors, pumps, other process components and emergency generators will be verified. All safety systems and equipment such as the firefighting system, gas detection, and other systems will be thoroughly inspected in the field using checklists for maintenance, fitness, and compliance with appropriate standards. During field assessment work, general conditions at the facility, housekeeping, and obvious safety hazards will be noted and action items will be identified. This field work verifies existing conditions, operation, equipment arrangement and specifications so that the design standards may be checked as part of the technical team's work.

Technical

The technical team will use the information previously verified in the field by the equipment functionality and integrity team. The technical team reviews the design of the facility, and verifies compliance with appropriate design codes and standards. The field verified facility P&ID's, PFD's, and other design documentation will be evaluated for compliance with industry standards. The facility hazards analyses, (Process hazard Analysis (PHA), or Hazards Analysis and Operability Study (HAZOP)) will be reviewed to ensure the facility has the necessary safety devices and safeguards, that changes or modifications have been included, and that the required periodic re-validation has been performed to include risks from incidents or accidents that have been experienced or to address any changing conditions or operations. Safety devices, controls, and detection sensors will be reviewed along with the logic, failsafe features, system installation, and design standard adherence. Issues identified by the equipment functionality and integrity team will be researched and evaluated including the design standards applied and material and equipment specifications. Any problems with conformance of operations with the various operations manuals, emergency response plans, operating procedures, and other required regulatory plans will be addressed and may be referred to the administrative team for further review.

Electrical

An outside electrical contractor will be employed for this phase of the audit. The electrical team will evaluate the physical condition of the facility's electrical system, electrical equipment, electric or electronic controls, and the operation, state of maintenance, and fitness for service of these systems. These systems will be handled separately because of their critical risk and because they require specialized electrical engineering expertise with oil and gas production facilities and offshore platforms or facilities. The electrical team will review all the electrical drawings, such as the one-line diagram of the electrical distribution system and the hazardous area classification diagrams for compliance with the National Electrical Code (NFPA 70) and other applicable electrical codes.

Administrative

The administrative team will review the facility's operations manual, operating procedures, the oil spill contingency plan, business emergency plan, spill prevention control and countermeasures plan, and other regulatory required plans and documents to verify they are

up to date and being followed based on observations during the equipment functionality and integrity field work. Safety management programs that have been implemented will be also reviewed. This review includes training, safe work practices, management of change, investigation of incidents, internal auditing, and the use and updating of operating procedures.

Human Factors

The human factors team will evaluate safety culture and safety management systems to help minimize accidents and pollution incidents. Much of the program information already reviewed by the administrative team can be compared with results of interviews and field observations of operations. The CSLC safety assessment of management systems (SAMS) interview process is used to complete this human factors assessment.