The Override

Every Landman Wants One!

Volume III, Issue 2 | March, 2008

Los Angeles Association of Professional Landmen

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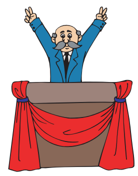
Presidents Message



Joel W. Miller, Energy Asset Analyst

Transamerica Minerals Company

I have briefly mentioned peak oil before in the president's message but a presentation given at the latest S.P.A. luncheon by Roland Bain, Consulting Petroleum Geologist, makes me wonder about peak natural gas in the Sacramento Valley. You might have seen the summary in the CIPA Monday Morning Report on Feb 25th. It mentions the number of producing wells increased from 1,199 in 2006 to 1,313 in 2007 yet the volume of gas did not raise significantly…from 82 to 83 Bcf. Venoco, Inc. led the valley in drilling 126 holes (100 gas wells) and was followed by Rosetta Resources drilling 25 holes (23 gas wells). Venoco accounted for 55% of the total wells drilled and 60% of all completions in the valley. An interesting point is that 39% of the Operators in the valley only drilled 1 well during 2007. Roland expressed his concern over these stats during his presentation and reiterated it in his handout. It will be interesting in his presentation next year to see how this year plays out. Hopefully prices remain high and production increases for you. See you in Long Beach on the 20th.

Joel W. Miller, President

LAAPL 2007-2008

"I knew something had changed when my stock broker suggested putting money into an energy fund. We're seeing non-traditional oil players coming into the markets, many pension funds have now invested in commodities."

- Andrew Lebow, Veteran Energy Trader at MF Global on March 4, 2008.

March Luncheon Speaker

John J. Harris, Esq., Principal
Meyers Nave Riback Silver & Wilson

"LOOK OUT BELOW - PROTECTING YOUR OIL, GAS AND SURFACE ACCESS RIGHTS."

John Harris, Esq., oil and gas attorney with the Los Angeles Office of Meyers, Nave, Riback, Silver & Wilson, will discuss the issues oil/gas producers and mineral owners face in protecting their surface entry and access rights from competing surface development and local zoning regulations, including the impact of AB 2867 which was enacted in 2006 to amend the Subdivision Map Act to ensure that notice is given to certain mineral owners of hearings required by the Act, and related issues.

Mr. Harris has also litigated many different types of oil and gas and environmental cases, such as lawsuits over the rights of landowners and royalty owners under oil and gas leases and operating agreements, lease termination disputes, drainage and development and subsurface trespass claims, actions for breach of implied covenants and

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Editor's Corner

Joe Munsey
Newsletter Chair
Southern California Gas Company

Has everyone noticed our Chapter President, Joel Miller, always has an interesting quote at the end of his messages? Well, I do and it is worth repeating:

"I knew something had changed when my stock broker suggested putting money into an energy fund. We're seeing non-traditional oil players coming into the markets, many pension funds have now invested in commodities." Andrew Lebow, Veteran Energy Trader at MF Global on March 4, 2008.

Not sure if that raises more concerns when the experts [those who find oil on Wall Street rather than turning the drill bit to the right) are jumping on the bandwagon or oil staying over the $100 mark. When the experts become gurus on all things energy, can the bottom falling out on oil prices be around the corner? Would I be amiss if we did not acknowledge at least $20 bucks plus of "lard" in the price of oil courtesy of the boys at the NYMEX. Should not complain, higher prices does helps with the high price of finding new reserves in the ground. It is also a nice relief for existing production runs. Remember $10 oil anyone? I have no sympathy for emails going around complaining about the price of gas. I usually return the email asking if we can cry on their shoulder should oil fall before $25 bbl.

This brings me to the "greens" all up in arms about the footprint of energy producing companies. What "outsiders" need to do is get a grip on the fact any source of energy leaves a footprint. Yes, that includes all sources of energy - oil, gas, geo-thermal, coal, solar, wind, nuclear, etc. What the greens fail to admit is their favorite source of renewable has its own footprint – but they can claim a much more self-righteous pursuit of energy than the rest of us. With the heavy hand of government on the backs of the utility companies mandating a percentage of its energy portfolio to consist of alternative sources of green/renewable energy, the greens are reluctant to face the fact that producing politically correct energy has its own price of energy larded up with inflated prices.

So does the cost of energy for Mr. and Mrs. Energy Consumer concern the green lobby or the vote takers [politicians]? I'll zero in on one source of "dirty" energy for purposes of this discussion. Perhaps coal is here to stay because it helps the "little people." How? Let me indulge you. Recently the Governors had their yearly jamboree; globally warming being the topic of concern [translate "concern" to equal voters]. Those Governors from the coal producing states finally stood up to the rest of crowd and reminded them the cost of running coal out of town. Higher energy costs, people not able to pay the heat bill because the cheap stuff was told to go away; all of sudden, the lights went on, the bells began to ring – the Governors begin to shake their heads up and down in a positive way, hand wringing began in earnest on how to put the best face on the fact that coal has its own "dirty" footprint but chasing the coal boys out of town doesn't quite seem the right thing to do.

Now we are getting to where the rubber meets the road, where all politics is local, and the greenies start to lose some territory – how to put a face on the higher cost of alternative energy at the cheapest possible way. As one PG&E pipeliner told me one time, "…

March Luncheon Speaker continued from page 1

fiduciary duty, quiet title matters and other title disputes, claims for misuse of confidential information, constitutional questions, secured transactions issues and securities fraud cases, as well as environmental lawsuits.

Mr. Harris received his J.D. degree in 1980 from the University of California, Hastings College of the Law and his B.A. degree from the University of California at Santa Barbara in 1974.

Editor's Corner continued

let's spend a lot of money to make this stuff cheap." Let's see now……oil, gas, coal + alternative sources, throw in some nuclear plants and refineries that need to be built, I think the old school energy business just might see a come back for the fossil fuel boys as the good guys as much as politicians hate to admit it. Lol's.

We have a great speaker lined up for our luncheon talk – see you at the Petroleum Club March 20th.

NEW MEMBERS AND TRANSFERS

Our Chapter Board of Directors welcomes the following new member to the Los Angeles Chapter:

Clancy Cottman
Legacy Energy, Inc.
1135 Eugina Place
Suite C
Carpentaria, CA 93013
805-566-2900
clancycottman@cs.com

OUR HONORABLE GUESTS

January's luncheon was a successful joint meeting with the LABSG and LAAPL Chapters held at the Grand at Willow Street Conference Center.

LAAPL's guest of honor who attended:

Sharon Bauer, Independent

Guest Article I

OPERATORS STILL VEXED BY HIGH EXPLORATION COSTS AND TAXES

By
Uchenna Izundu
International Editor, Oil and Gas Journal

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High oil prices have not resulted in high returns on projects because of an increase in exploration costs and the taxes earned by host governments, according to energy consultancy Wood Mackenzie Ltd., Edinburgh.

Operators now need to assume an oil price of $70/bbl to earn close to 15% on exploration, WoodMac Exploration Service Manager Alan Murray told delegates at International Petroleum Week in London. "Cost increases mean that pretax margins on new fields have not increased with oil prices."

Many host governments such as the UK, Algeria, and Bolivia changed their fiscal regime as oil prices soared, leaving fiscal certainty a major issue for companies. This is having the greatest impact on exploration economics, Murray said.

GET READY…SET…..GO! (NOMINATIONS FOR LAAPL 2008 - 2009 OFFICERS)

It is that time of the year to start considering a run for a LAAPL Chapter Officer for the 2008 – 2009 term. The following offices are open:

President[1]
Vice President
Treasurer
Secretary
LAAPL Local Director
LAAPL Local Director
AAPL Region VII Director[2]

[1]Per Section 7(3) the Vice President shall succeed to the office of the President after serving his or her term as Vice President and shall hold the office of President for the next twelve (12) months.

[2]Not an elected position – by Board appointment.

CHAPTER BOARD MEETINGS

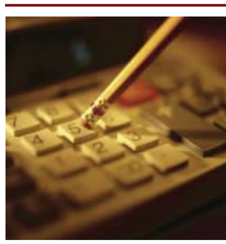
The 2007 – 2008 LAAPL Board of Directors will hold it Board Meeting at the Long Beach Petroleum Club at 11:00 AM. The "Override" editor will be in attendance to reports the matters discussed:

On the agenda:

- Officer Nominations.
- LAAPL 4rd Annual Mickelson Golf Classic – confirming date and location.
- Price increases for Luncheon.

The Board of Directors meets on the third Thursday of the month at 11:00 AM at the Long Beach Petroleum Club. Board meeting dates coincide with the LAAPL's luncheons.

We encourage members to attend and see your Board of Directors in action.



Treasurers Report

As of 1/04/2008, the LAAPL account held a balance of	$ 4,439.10
Received check from Earth Science Stanford School for one page ad in Newsletter	$ 350.00
The LAAPL account with Bank of America as of 02/25/2008, shows a balance of	$ 4,789.10
Merrill Lynch Money Account shows a total	$10,259.32

Lawyers' Joke of the Month

Jack Quirk, Esq.
Bright and Brown

The following came from an anonymous Mother in Austin, Texas...

Things I've learned from my boys:

1. A king size waterbed holds enough water to fill a 2000 sq. ft. house 4 inches deep.

2. If you spray hair spray on dust bunnies and run over them with roller blades, they can ignite.

3. If you hook a dog leash over a ceiling fan, the motor is not strong enough to rotate a 42 pound boy wearing Batman underwear and a Superman cape. It is strong enough, however, if tied to a paint can, to spread paint on all four walls of a 20 x 20 ft. room.

4. You should not throw baseballs up when the ceiling fan is on. When using a ceiling fan as a bat, you have to throw the ball up a few times before you get a hit. A ceiling fan can hit a baseball a long way.

5. The glass in windows (even double-pane) doesn't stop a baseball hit by a ceiling fan.

6. When you hear the toilet flush and the words "uh oh", it's already too late.

7. Brake fluid mixed with Clorox makes smoke, and lots of it.

8. A six-year old Boy can start a fire with a flint rock even though a 36-year old Man says they can only do it in the movies.

9. No matter how much Jell-O you put in a swimming pool you still can't walk on water.

10. Pool filters do not like Jell-O.

11. VCR's do not eject "PB & J" sandwiches even though TV commercials show they do.

12. Garbage bags do not make good parachutes.

13. This cape does not enable the wearer to fly.

14. You probably DO NOT want to know what that odor is.

80% of Men who read this will try mixing the Clorox and brake fluid.

Proposal for New Oil Extraction Fee On Production in Los Angeles

By L. Rae Connet, Esq.
PetroLand Services

On February 20, 2008, Los Angeles City Councilwoman Janice Hahn called for the City to implement a new "oil extraction fee" for each barrel of oil produced from within the City. Citing the "negative impact that the refining and use of petroleum products has on the local environment and people's health", the Councilwoman moved the City Council to begin the steps necessary to implement an oil extraction fee. The motion was seconded by Councilman Bernard Parks. Accordingly to Hahn's motion, by implementing such a tax the City could potentially raise millions of dollars a year, which Hahn proposes to use to increase street sweeping services throughout the City. Hahn supports her motion by using examples of other local cities that impose a per barrel fee, ranging from a low of 20 cents per barrel in Huntington Beach to a high of 60 cents per barrel in Signal Hill.

Councilwoman Hahn's call for a new tax based on the "negative impact" from oil refining is spurious. The tax she proposes has nothing to do with oil refining. Her proposal is a tax on oil production, not refining. Moreover, if the tax is intended to compensate the City for the alleged "negative impact" on "the local environment and people's health" then it makes no sense whatsoever to use the proceeds from the tax to increase street sweeping services throughout the City.

Councilwoman Hahn's proposed "oil extraction fee" is nothing more than a new business tax and, as such, it needs to be considered in the proper light – that dealing with the City's historical and existing business tax structure. In the mid-1990's the City commissioned a team of consultants to study the City's then current business tax structure and to propose recommendations for changes to the overall tax structure. One of the initial findings of the study was that the City's high business tax burden discouraged businesses from operating within the City. Another important finding was that the complicated nature to the City's business tax structure had resulted in low compliance. It was estimated that 40 percent of the businesses operating within the City were paying no taxes at all, and the City's business tax was one of the most litigated local taxes in the nation. Then, in 1995 decision in the matter of General Motors v. City of Los Angeles (1995) 35 Cal.App.4th 1736, restricted the City's ability to tax manufacturing companies due to a discriminatory effect on manufacturers with out-of-city activities.

Prior to 1996, the City was imposing a per barrel tax on all oil extracted from within the City. In 1995, the City imposed a minimum tax of $21.29 per well, per quarter ($85.16 per year) for each producing well. In addition, the City taxed the production at the rate of 11 cents per barrel and imposed a surtax for every barrel produced in excess of 200 barrels per quarter. In 1996, the City repealed it per barrel tax on produced oil and the tax on oil production was shifted to a tax on gross receipts instead of a per barrel tax.

After the City repealed its per barrel tax, the oil production industry was rolled into the general "wholesale" category of businesses and oil producers continue to be taxed at the same rate as all other "wholesalers" operating within the City. Over the ensuing years, in furtherance of the recognition that the City's business tax structure was continuing to discourage businesses from operating within the City and was continuing to encourage low compliance in paying the business taxes, the City Council decided to implement a flat rate tax, which flat rate was to be reduced over a period of years in order to make the City competitive with other local jurisdictions. And, ultimately, the City eliminated the minimum tax.

- In 2005, the City's minimum tax on oil production sold within the City was $118.25 and the rate on gross receipts (based on the prior year's receipts) was $1.18 per $1,000.00 for all receipts in excess of $100,000.00.
- In 2006, the minimum tax was $114.58 and the tax rate on gross receipts was reduced by 3.1% to $1.14 per $1,000.00 in excess of $100,000.00.
- In 2007, the minimum tax was $109.00 and the tax rate on gross receipts was reduced by 4% to $1.09 per $1,000.00 in excess of $100,000.00.
- In 2008, the tax rate on gross receipts was reduced another 4% to $1.05 per $1,000.00 of gross receipts; the minimum tax was eliminated.

Based on the sales prices generally in effect in 2007, the effective tax per BOE paid in 2008 on sales from 2007 was equal to 6.6 cents per barrel sold within the City.

In addition to the business taxes currently imposed on oil production by Los Angeles City, operators in the L.A. Basin are also faced with taxes imposed by neighboring Cities. For example, the City of Beverly Hills has one tax rate for oil produced within its borders ($3,650.75 for the first 10,000 barrels, plus 34 cents per additional barrel) and another tax rate for oil produced outside the City but sold within its borders ($1,818.55 for the first 10,000 barrels, plus 13 cents per additional barrel). Therefore, the current effective tax on a barrel of oil produced from a drill site

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within the City of Los Angeles and sold in the City of Beverly Hills averages 25.4 cents per barrel (assuming 100,000 barrels of oil). Other neighboring cities also impose taxes on production. Many cities' taxes are tied to various consumer price indices. La Habra Heights imposes a tax of $500 per well, plus 25 cents per barrel produced. Culver City also has an annual fee per well, plus taxes producers at the rate of $18.00 per $1,000.00 of gross receipts. Huntington Beach imposes a fee of $100 per well, plus 10 cents per barrel produced (the 1978 rate), subject to an annual CPI increase – in 2006, that equaled approximately 31 cents per barrel.

In 2006, California voters rejected a proposed state-wide tax on oil production and saw it for what it was – just another tax on businesses operating in our State. The taxation of businesses in the City of Los Angeles has been, and will continue to be, a challenging process. The City needs to balance its budgetary needs against its need to encourage businesses to remain in the City. Instead of jumping on the band-wagon to impose new taxes on "Big Oil," the City leaders need to look back into the reasons why the City restructured its business taxes in the first place and to realize that under the current tax structure, the City's revenue from oil production automatically increased as the price of oil increases. The City's decision to repeal the per barrel tax was based on significant studies commissioned by the City and was based on a reasoned and balanced approach to the City's dual needs to encourage business within the City, while still generating needed revenue.

SCHEDULED LAAPL LUNCHEON TOPICS AND DATES

March 20, 2008
John Harris, Esq.
Topic – Assembly Bill 2867
Assessment of Mineral Rights
Officer Nominations

May 15th
Eco & Associates
Topic - CEQA Process for Drilling Permits
Officer Elections

Photo courtesy of Rick "Redfish" Riseden, MS '68 PE

Investing in energy to support education and research

The alumni-managed Stanford Petroleum Investments Funds own, manage, and acquire producing oil and gas royalties and other energy investments. Income from these investments provides essential discretionary funding in support of energy and environmental education and research and other programs of the Stanford School of Earth Sciences.

If you would like to sell or donate producing oil and gas royalties or learn more, visit **http://earthsci.stanford.edu/support/pif** or call or email David Gordon, Associate Dean, Stanford School of Earth Sciences, at (650) 723-9777 or dsgordon@stanford.edu to see how you can help.

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