



The Override

Every Landman Wants One!

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Los Angeles Association of Professional Landmen

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Presidents Message

Joel W. Miller, Energy Asset Analyst Transamerica Minerals Company

Oil continues its precipitous plunge and natural gas prices remain near their lows. Certain industry executives are forced to sell some or all their common stock to meet margin calls and companies are selling assets in order to obtain desperately needed cash. Lines of credit are shriveling up and major projects are being put on hold. Latecomers in the Haynesville Shale need \$9 gas just to make a buck and companies in many places are beginning to shut-in production. Everyday a different company is revising their future drilling budgets and companies that were desperate to find landmen in areas like the Marcellus Shale are now letting them go. The industry climate has changed no doubt and it is startling to see how fast it has changed. Many of you have been through this before but for a first-timer like myself I am wide-eyed.

Joel W. Miller, President
LAAPL 2008-2009

November Luncheon Speaker



“SHALE TALES: LEASING IN THE BARNETT SHALE IN 2008”

Kevin Shaw is a partner in the law firm of Mayer Brown LLP and practices oil and gas law in the Firm's Houston and Los Angeles offices. Kevin started his legal career with Shell Oil Company in Houston, Texas and has practiced in Denver and Los Angeles over the years. His practice includes exploration and production-related work for operators, non-operators, landowners and lenders. In 1986-87, he was President of the Denver Association of Oil and Gas Title Lawyers. He is admitted to practice in California, Colorado and Texas. He is confident that booms and busts will continue, but has no insight as to when.



Editor's Corner

Joe Munsey
Newsletter Chair

Southern California Gas Company

This column is being written prior to the election, so whoever is sitting in the Oval Office come 2009 – it is not the end of the world, nor the demise of the greatest nation on God's green earth – (thanks Michael Medved for the quote.).

Before we get into our "commentary;" on behalf of the "The Override" and the LAAPL board, we wish all a wonderful Thanksgiving Holiday. We still have much to be thankful for in these trying times. The least of all, it's our turn to be thankful for full employment in the California oil patch. There was a time, after the last oil boom, when staying active doing land work took many of us into other land related disciplines to stay employed. Anyone remember the prayer going around back then? "Lord, one more oil boom, we promise not to piss it away."

The year 2008 is shortly coming to an end and thought it would be interesting to look back to what we had to say this time last year. Here goes...oil was pushing \$80 in November; we took a look into the crystal ball and predicted \$90 oil by year's end. How'd we do? The New Year came in with \$100 oil, went over \$140 and now it is flirting with \$65 - \$72 a bbl as of the date of the writing of this column. What will next year bring? It is your guess – let's talk again, same time same place.

Elsewhere in this issue of "The Override" we discuss the impact of low oil prices affecting the OPEC countries

– of all places. Who would have known 20 years ago low oil prices is actually bad news for OPEC and her "sisters?"

On the rebuttal front, USGS finally came out with its revised take on the Bakken reserves and thereby shooting down an article we ran claiming 200 billion barrels of Bakken crude. USGS was kind enough to grant us permission to run its article discussing its revisions of the Bakken reserved from its earlier prognostication. Well, we hope for the sake of the good ole US of A the USGS final number is incorrect for good reason.

We are pleased to introduce John C. Murphy, Esq. Partner-in-Charge - Orange County, of Luce, Forward, Hamilton & Scripps LLP, where he discusses *Monks v. City of Rancho Palos Verdes*. One would think after 30 years a "Temporary" moratorium is deemed a regulatory taking – guess what, under the *Monks* case the landowners are eligible for compensation. See John's commentary in the Case of the Month Section of this issue.

We are pleased our guest speaker, Kevin Shaw, Esq., of Mayer Brown LLP, is returning to the LAAPL after a long hiatus. Kevin practices oil and gas law in the firm's Houston and Los Angeles offices. While in Houston, Kevin recently went over to the "dark side" by virtue of representing mineral owners. Nevertheless Mr. Shaw is still unashamed associating with his LA Basin oil field trash professionals.

As I "sign off" for the rest of the year, it goes without saying, support our troops and keep them in your prayers. Enjoy your Thanksgiving and be thankful for this year's blessings. Bask in the joy of Christmas, or Hanukkah, and spread peace on earth towards all. God Bless America!

A big LAAPL thanks to Rick Maldonado and Joe Petersen of Spectrum Land Services for picking up the tab for our September luncheon. Speaking of luncheons, look forward to seeing everyone at the Long Beach Petroleum Club November 20th, 2008.

Lawyers' Joke of the Month

Jack Quirk, Esq.
Bright and Brown

In a trial, a Southern small-town prosecuting attorney called his first witness, a grandmotherly, elderly woman to the stand. He approached her and asked, 'Mrs. Jones, do you know me?' She responded, 'Why, yes, I do know you, Mr. Williams. I've known you since you were a boy, and frankly, you've been a big disappointment to me. You lie, you cheat on your wife, and you manipulate people and talk about them behind their backs. You think you're a big shot when you haven't the brains to realize you'll never amount to anything more than a two-bit paper pusher. Yes, I know you.'

The lawyer was stunned. Not knowing what else to do, he pointed across the room and asked, 'Mrs. Jones, do you know that attorney?' She again replied, 'Why yes, I do. I've known Mr. Bradley since he was a youngster, too. He's lazy, bigoted, and he has a drinking problem. He can't build a normal relationship with anyone, and his law practice is one of the worst in the entire state. Not to mention he cheated on his wife with three different women. One of them was your wife. Yes, I know him.'

The defense attorney nearly died.



Case of the Month

California Appeals Court Holds City Liable for “Temporary” Development Ban

After 30 Years, a “Temporary” Moratorium Deemed a Regulatory Taking; Landowners Eligible for Compensation

by: John C. Murphy, Esq.

Partner-in-Charge - Orange County - Luce, Forward, Hamilton & Scripps LLP

According to the old English proverb, “One of these days’ usually means ‘none of these days.’” The City of Rancho Palos Verdes - maybe inadvertently - has been saying the same thing to a group of landowners for the past 30 years. The City enforced a supposedly temporary development moratorium that lasted . . . well, 30 years. So when does “temporary” become “permanent”? In a new and unique court ruling, a California court of appeal held that such regulation of private property qualifies as a regulatory taking. The landowners may be entitled to just compensation.

On October 1, 2008 the California Court of Appeal reversed a Los Angeles Superior Court’s ruling in *Monks v. City of Rancho Palos Verdes* (October 1, 2008, B201280 ____ Cal. App.4th ____). The California Court of Appeal held that the landowners may be entitled to just compensation for a taking of their property under the United States Supreme Court’s opinion in *Lucas v. South Carolina Coastal Council* (1992) 505 U.S. 1003 [112 S.Ct. 2886]. Specifically:

- The agency’s development moratorium effectively prevented owners from building new homes on their properties, depriving the owners’ land of all economically beneficial use, and therefore, constituted a taking of the owners’ properties.

- Regulation does not constitute a taking, even if it deprives land of all economically beneficial use, where the public agency can satisfy its burden of proving that background principles of property law or nuisance independently would prevent the owners’ intended use of their properties. However, in *Monks*, the public agency was unable to meet its burden of proof.

Significance.

Public agencies must beware the pitfalls of development moratoria or face the consequences. Among the things a public agency should keep in mind:

- A total and permanent development ban most likely constitutes a taking of private property because it completely deprives the land of all economically beneficial use.
- Even a temporary total development ban can constitute a temporary taking that triggers just compensation.
- Providing reasonable exclusions or exemptions from the development ban may allow a public agency to avoid a categorical taking of private property.
- The background principles of property law, including the law of nuisance, can justify a development ban, but the agency bears the burden of proving this justification.

The Facts.

In 1978, Rancho Palos Verdes adopted an ordinance establishing a development moratorium on new homes in a part of the city that had experienced recent landslides. Beginning in 1991, the City allowed landowners to seek exclusions to the moratorium that would allow them to develop homes on their property.

Landowners applied for an exclusion to the moratorium to build on their properties. However, while their application was pending, the City enacted a resolution that tightened the criteria for granting an exclusion. The new criteria made it impossible for the landowners to obtain an exclusion.

The owners sought a writ of administrative mandate to invalidate the resolution, not the original moratorium, and brought a claim for inverse condemnation on the ground

that the resolution constituted a taking of their property under the California Constitution. The trial court found for the City because the trial court believed that California nuisance law justified the development ban. The owners appealed.

U.S. Supreme Court: *Depriving Land Of All Economically Beneficial Use Is A Categorical Taking.*

While taking often involves physical invasion, regulation that goes too far can also amount to a taking. The United States Supreme Court held in *Lucas v. South Carolina Coastal Council* (1992) 505 U.S. 1003 that a regulation that completely deprives an owner of all economically beneficial use of the owner’s property is a categorical taking, except to the extent that background principles of property law and nuisance independently restrict the owner’s use of the property. The government bears the burden of proving that the background principles of property law or nuisance prohibit the owner’s intended use of the property under the circumstances.

In *Lucas*, the Supreme Court found that a government moratorium of residential construction along a beach constituted a categorical taking, unless common law property principles justified the moratorium. (*Lucas, supra*, 505 U.S. at pp. 1026-1032.)

City’s Development Moratorium Is The Only Thing On Slippery Ground Here.

The California Court of Appeal’s holding rests on solid ground, that is, United States Supreme Court precedent. The Court found a categorical taking of the owner’s property under *Lucas* because the resolution deprived the land of all economically beneficial

Case of the Month
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use. As in Lucas, the resolution effectively prevented the owners from constructing single-family homes on their properties.

The City's resolution, which tightened the standards to obtain an exclusion to the City's development moratorium, required that owners make a particular geologic safety showing for a section of property within a landslide area that included their properties. The Court did not believe that the City should require the owners to spend between half a million and a million dollars to make the requisite showing when the city council had already made up its mind anyway. The Court also disagreed with requiring the owners to make a safety showing for the entire zone, rather than simply for the owners' individual properties.

Moreover, the Court found that the City failed to meet its burden of proving that background principles of property law or nuisance justified the City's resolution. The Court explained that the City did not show that constructing homes on the owners' properties posed a reasonable probability of significant harm to persons or property - a showing required for public or private nuisance. The Court of Appeal relied on the trial court's finding of fact that at most an uncertainty existed regarding the geological stability of the owners' properties.

**PUBLISHER OF "THE
OVERRIDE" RECEIVES AWARD**

"The Override," the official organ of the LAAPL took first place (small chapter category) at the AAPL convention in Chicago. Chapter President, Joel Miller, Energy Asset Analyst, Transamerica Minerals Company, presented Randall Taylor, of Taylor Land Services, Inc. at the September luncheon a distinguished framed certificate from the American Association of Professional Landmen acknowledging the chapter's outstanding and professional publication.

**HOW LOW CAN YOU GO -
OPEC?**

Joe Munsey

Anyone remember the oil embargo in the early 1970's? In fact, it seems so long ago I personally cannot recall the year OPEC threatened the free market with oil withdrawal convulsions without trolling Google to find the dates. Sure can remember the long lines at the gas stations when all you could get at times was \$10.00 worth - incidentally, \$10.00 nearly filled the tank. The uptick - spurred an exploration spree, but not before we were given a daily dose of gloom and doom for those of us not involved in the oil business. Personally, as a Midwestern kid living in northwestern Indiana, I had no idea how the oil business conducted itself other than oil came from Texas and somewhere in the Middle East; much less knew what the Landman profession was all about. The Michigan Basin was literally only miles from where I lived and unbeknownst to me at time, the Michigan oil patch was on a hot streak of oil and gas exploration involving the Niagaran reef trend.

Can anyone recall the second embargo threat in the early 1980's when the Iranian revolution took place and gas prices hit the pocket book again? Ditto the same situation as above, except this time, a Texas relative introduced me to the land business - violá a Landman was "born." At the same time, the world was introduced to "Too Tall - the short guy" from Iran whom the world would, some 25 years later, actually come to meet. Ché Guerra's protégé the Venezuelan "Loud mouth" was not far behind. By the way, lurking behind the squeeze on the flow of oil was the pricing mechanism, OPEC who could produce it cheap. That, my fellow reader, churns the digestive heartburn juices for those who have to figure out exploration and production budgets. How low can we go before it just frankly becomes an unprofitable business to be in - contrary to the general public's acuity of the oil biz.

Long introduction to what we are trying

to get at. The fear of OPEC cutting us off from our oil addiction; not because the world was running out of oil at the moment, but the perceived perception OPEC would cut the supplies for whatever its reason du jour. Many times it was the cause of much consternation with our one and only democratic friend in the Middle East - Israel. (How many of us privately were delighted when Israel concluded the Entebbe raid?) Never mind that the oil companies were busting tail finding new reserves and places to drill for oil and gas since the first oil embargo. Again, in the shadows was the pricing problem of oil - how low can it go?

Ok, perhaps in the Ivy League corridors and think tanks the "smart guys" knew the OPEC gang really did not wish to cut American's addiction to oil, nor curtail it to a point where alternative sources of energy takes its place. Pretty sure the public at large is now on to the secret. Team OPEC enjoys producing, selling and more importantly stuffing its banks accounts with petrodollars, Afghanistan and the Iraqi invasions notwithstanding.

Perhaps the "smart guys" really knew all those threats to lower the price of oil down to two bucks a barrel was just merely "crying wolf" by the OPEC crowd. Well, I believed it that is until I read a recent article in the IMF Gulf Times back on September 21st.

Let us take a look at what an International Monetary Fund official told the Dow Jones Newswires:

◆ Saudi Arabia, the world's largest oil exporter, will need crude prices to remain above \$ 49 a barrel to avoid a fiscal deficit. (Guess all those fancy projects cost money.)

◆ Those other smaller Gulf States, UAE can run in the black as long as oil prices tip over the \$23 a barrel mark. Qatar, they need \$24 a barrel and Kuwait begins having problems if oil dips below \$33 a barrel. (Creating a tourist destination is not such a bad idea. After

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all – oil wells don’t last forever.)

◆ Now the good news for those in the free world - but not for Iran. Is Iran actually in the free world? If oil starts dropping below the \$90 a barrel threshold that spells trouble for “Too Tall” since that country doles out heavy subsidies to the public. (Might a “revolution” take place and hence “Too Tall” and the gang find themselves in unemployment lines somewhere in Europe.)

◆ Here’s a shocker - Iraq comes in with the highest break-even price in the region, according to the IMF figures. The war-torn country needs prices above \$110 a barrel to balance its books. (Ouch?)

◆ Algeria needs \$56 oil to balance its budget. (No comment. Its Algeria)

Not included in the IMF’s report was the effect of low oil prices on the Venezuelan “Loudmouth.” Exporting revolution(aries) cost money contrary to the “spread the wealth” crowd and high oil prices has greased the skids here lately for the Castro brothers et al. I suspect Ché Guerra’s protégé may have to start counting his petro-dollars pouring into his coffers at some point and decide if he can afford bread, butter and bullets.

Not being an expert on oil economics, nor is this attempt to predict the bottom for oil prices; however we have come to this conclusion. 1) OPEC and its sister hooligans like selling oil regardless of the political leanings of the Western world. 2) Threatening to bring oil down to \$2 bucks a barrel ain’t gonna happen.

As is usual, all eyes are fixed on OPEC, who really does enjoy the limelight, as they start the OPEC limbo – how low can they go?



CHAPTER BOARD MEETINGS

The Board of Directors did not hold a board meeting in September.

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.

Items on the agenda for the November board meeting, amongst other issues to be discussed:

- ✓ Use of Chapter Email List
- ✓ Joint Meeting with the Los Angeles Basin Geological Society
- ✓ Licensing of landmen

SCHEDULED LAAPL LUNCHEON TOPICS AND DATES

November 20th, 2008

Kevin Shaw, Esq., Mayer Brown LLP
“Shale Tales – Leasing in the Barnett Shall

January 22nd, 2009

Joint Meeting With Los Angeles Basin Geological Society

Mr. Scott T. Hector, Partner, Hobby Energy

March 19th, 2009

Speaker - TBD

Officer Nominations

May 21st, 2009

Speaker – TBD

Officer Elections



Treasurers Report

As of 10/31/2008, the LAAPL account showed a balance of	\$11,635.59
Merrill Lynch Money Account shows a total	\$11,096.90

OUR HONORABLE GUESTS

September’s luncheon was another successful LAAPL Chapter luncheon meeting held at the Long Beach Petroleum Club. Our guests of honor who attended:

Stephen Anderson, Leighton Consulting

Mehmet Pehlivan, Leighton Consulting

Jim Powers, Terra Pacific Group
Hersel Zahba, Land Development Consultants

Eric Campbell, Signal Hill
Cynthia Reed, Warren E & P

Gary Lieberman, PLS

Gerry Tintle, ConocoPhillips

Steve Matthews, ConocoPhillips

Kal Bankuthy, Independent

New Members and Transfers

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

Charles Wadell
Cal Pacific Land Services, Inc.
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cwadell@calpacland.com
714-848-0047

Transfers

None to Report

3 to 4.3 Billion Barrels of Technically Recoverable Oil Assessed in North Dakota and Montana’s Bakken Formation—25 Times More Than 1995 Estimate

USGS April 10, 2008 - “Reprinted With Permission. All Rights Reserved.”

Reston, VA - North Dakota and Montana have an estimated 3.0 to 4.3 billion barrels of undiscovered, technically recoverable oil in an area known as the Bakken Formation.

A U.S. Geological Survey assessment, released April 10, shows a 25-fold increase in the amount of oil that can be recovered compared to the agency’s 1995 estimate of 151 million barrels of oil.

Technically recoverable oil resources are those producible using currently available technology and industry practices. USGS is the only provider of publicly available estimates of undiscovered technically recoverable oil and gas resources.

New geologic models applied to the Bakken Formation, advances in drilling and production technologies, and recent oil discoveries have resulted in these substantially larger technically recoverable oil volumes. About 105 million barrels of oil were produced from the Bakken Formation by the end of 2007.

The USGS Bakken study was undertaken as part of a nationwide project assessing domestic petroleum basins using standardized methodology and protocol as required by the Energy Policy and Conservation Act of 2000.

The Bakken Formation estimate is larger than all other current USGS oil assessments of the lower 48 states and is the largest “continuous” oil accumulation ever assessed by the USGS. A “continuous” oil accumulation means that the oil resource is dispersed

throughout a geologic formation rather than existing as discrete, localized occurrences. The next largest “continuous” oil accumulation in the U.S. is in the Austin Chalk of Texas and Louisiana, with an undiscovered estimate of 1.0 billions of barrels of technically recoverable oil.

“It is clear that the Bakken formation contains a significant amount of oil - the question is how much of that oil is recoverable using today’s technology?” said Senator Byron Dorgan, of North Dakota. “To get an answer to this important question, I requested that the U.S. Geological Survey complete this study, which will provide an up-to-date estimate on the amount of technically recoverable oil resources in the Bakken Shale formation.”

The USGS estimate of 3.0 to 4.3 billion barrels of technically recoverable oil has a mean value of 3.65 billion barrels. Scientists conducted detailed studies in stratigraphy and structural geology and the modeling of petroleum geochemistry. They also combined their findings with historical exploration and production analyses to determine the undiscovered, technically recoverable oil estimates.

USGS worked with the North Dakota Geological Survey, a number of petroleum industry companies and independents, universities and other

experts to develop a geological understanding of the Bakken Formation. These groups provided critical information and feedback on geological and engineering concepts important to building the geologic and production models used in the assessment.


Five continuous assessment units (AU) were identified and assessed in the Bakken Formation of North Dakota and Montana - the Elm Coulee-Billings Nose AU, the Central Basin-Poplar Dome AU, the Nesson-Little Knife Structural AU, the Eastern Expulsion Threshold AU, and the Northwest Expulsion Threshold AU.

At the time of the assessment, a limited number of wells have produced oil from three of the assessments units in Central Basin-Poplar Dome, Eastern Expulsion Threshold, and Northwest Expulsion Threshold.

The Elm Coulee oil field in Montana, discovered in 2000, has produced about 65 million barrels of the 105 million barrels of oil recovered from the Bakken Formation.

Results of the assessment can be found at <http://energy.usgs.gov>.

For a podcast interview with scientists about the Bakken Formation, listen to episode 38 of CoreCast at <http://www.usgs.gov/corecast/>.



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GRATEFULLY ACKNOWLEDGES THE CONTINUING SUPPORT OF OUR FRIENDS AND CLIENT IN THE OIL AND GAS INDUSTRY AS WE CONTINUE A TRADITION OF PRACTICE IN THE AREAS OF BUSINESS, REAL PROPERTY AND ENVIRONMENTAL LITIGATION; EXPLORATION AND PRODUCTION TRANSACTIONS; MINERAL TITLE REVIEW AND OPINIONS; LAND USE, ZONING, ENVIRONMENTAL AND OTHER PERMITTING AND ADMINISTRATIVE MATTERS.

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Stanford Petroleum Investments Funds

Photo courtesy of Andreas Mulch

Investing in Energy to Support Education and Research



“Today’s computational capacity and the availability of large volumes of data from ground-based observations and satellites offer new opportunities for understanding how the Earth system works and how human activities interact with Earth processes. The Stanford Center for Computational Earth and Environmental Science will enable the development of sophisticated models to address questions about energy and freshwater resources, natural hazards, climate change, and other global issues.”

Jerry M. Harris, Director, Center for Computational Earth and Environmental Science, Professor and Former Chair, Department of Geophysics, Stanford University; Director, Stanford Wave Physics Laboratory; Past Distinguished Lecturer, Society of Exploration Geophysicists, American Association of Petroleum Geologists, and Society of Petroleum Engineers.

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. The Petroleum Investments Funds provided seed funding to help launch the Stanford Center for Computational Earth and Environmental Science.

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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Venoco is an independent energy company primarily engaged in the acquisition, exploration and development of oil and natural gas properties. It has headquarters in Denver, Colorado and regional offices in Carpinteria, California and Houston, Texas. Venoco operates three offshore platforms in the Santa Barbara Channel, has non-operated interests in three other platforms, operates three onshore properties in Southern California, has extensive operations in the Northern California's Sacramento Basin and operates 18+ fields in the Texas Gulf Coast and South Texas. Venoco is publicly traded on the New York Stock Exchange under the symbol "VQ".

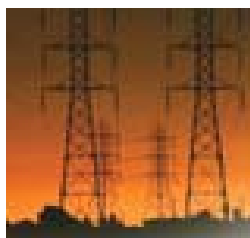
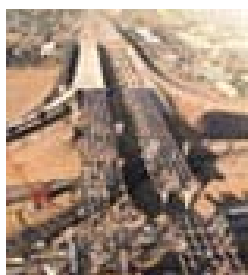
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