

BALDWIN HILLS CSD
COMMUNITY ADVISORY PANEL (CAP) MEETING
Minutes July 24th, 2014
DRAFT

A. Call to Order - 7:00 PM

David McNeil Chair.

B. Announcement of Agenda

Approved.

C. Presentation by Operator's Land Use Representative – Rae Connet

Ms. Connet is a land use attorney and owner of a land service company that advises clients on land rights with respect to oil and gas issues. Ms. Connet provided an overview on how oil and gas lease and mineral rights work in California. Ms. Connet's presentation was not specific to the Inglewood Oil Field and she was not at the CAP to discuss FM O&G specific issues. **Overview of key points:**

- Oil & gas leases are a unique combination of real property law and contract law.
- An oil lease is a contract between mineral owner and an oil company to produce the oil.
- Oil leases terms are variable and can be whatever the parties agree to.
- Mineral rights vary from state to state and in CA the mineral rights stay with the property rights unless they are severed by an agreement (fee interest).
- A mineral right in CA is the right to go get the oil and bring it to the surface, it is owned when it reaches the surface.
- The person that owns the mineral rights is the person with the authority to sign an oil and gas lease.
- Lessor is the property owner, lessee is the oil company.
- Typical practice is that the lessee will contact the lessor to try to generate an agreement to drill and produce oil.
- Surface rights in an agreement can be whatever the two parties agree to.
- The oil company has the right to use the surface to the extent necessary to access the minerals subject to other issues in the agreement.
- The oil company has the obligation to either produce the oil or surrender the lease (quit claim deed). The oil company also has the obligation to protect the lessor from drainage.
- Royalty agreements are typically 1/6 or 1/8 but are not uniform, are variable, and can be very detailed.

Discussion: Mr. Melvin asked about what protections are available for surface owners that do not own the minerals rights; Ms. Connet noted that it depends on what was specified when the surface owner acquired the property which requires research on the property title. Most sites in the LA Basin do not involve drilling from the surface property but rather from offsite locations due to permitting and other issues. Subsidence was discussed and Ms. Connet noted that it is not an issue included in oil and gas leases but that the law includes certain protections from damage to property. Mr. Melvin asked about an agreement on trails at the Inglewood Oil Field. Ms. Connet answered that in general, not specific to FM O&G, that agreements such as trails can be specified in the lease and that oil producers must keep equipment away from the public for safety reasons. Mr. McNeill asked about houses that were built next to an oil field and extended reach drilling; Ms. Connet discussed the fact that in the LA Basin most parcels have language on subsurface rights from as far back as the year 1890. Further, the rights to "traverse" the area (well bore) from the surface drilling location to the bottom hole location must be agreed to similar to an easement agreement.

Pooling was discussed along with the notification issue. Ms. Connet referenced SB4, the "fracking", rule which requires notification if a well is to be fracked. The noticing process is the same as other noticing requirements for any development. A member of the public from Culver City asked about being forced pooled after she did not sell the mineral rights under her property. The question was also

asked as to whether a pooling agreement can be rescinded if the surface parties agree to do so. Ms. Connet noted that one can still get the royalties without agreeing to the lease to benefit financially but there is no mechanism to void the previous pool agreement. Forced pooling involves a parcel less than an acre that is surrounded by parcels that are agreeing to a lease.

The question on how to determine the mineral rights of a property was discussed and that a title search is required to get the answer. Ms. Spiva asked about mineral leases that have been lost in the shuffle of property transfers and the royalties; the oil company must be notified by the new owner to get the royalty. The County records are organized by date and name, not by parcel and are located in the City of Norwalk. Ms. Sahli-Wells asked about tracing the title backwards and that it cannot be done by the address but that one would have to trace back through the previous owners which can be a challenge. Surface and bottom hole locations were discussed and that each municipality have different rules.

A question on how long leases last was asked, a typical oil and gas lease in LA Basin for subsurface only is 3 to 20 years for primary term. Primary term is for drilling and to get the land producing, once production is started the lease can go on indefinitely. Mr. Ferrazzi asked about drilling under Culver City, Ms. Paillet requested that those types of specific questions be sent to her for FM O&G legal and land departments to deal with. Ms. Steva asked about how to determine if drilling is occurring under someone's property and Ms. Connet suggested simply asking the oil company directly.

D. Regional Planning/ECC Update – Tim Stapleton

CAP Membership Updates – Robert Sprigg is new representative for L.A. West College and Mark Williams will attend for the City Project.

Compliance Document Submittals - A Revised GeoScience Analytical Report, the Second Quarter 2014 Complaint log, the Second Quarter Groundwater Report, the Met Station Annual Report, and Bonus Well Credit documents have been uploaded to the web site.

Air Quality Study – September, October release date.

Periodic Review – Review should include the air quality study data which means the report is also delayed. Mr. Kuechle requested that the review be released with a response to the other non-air quality issues prior to waiting for the air quality study to be released. Mr. Perez noted that the results of the air study may generate information that may require being addressed in the periodic review. Mr. Perez further noted that the periodic review does not contain any recommendations that would require hearing officer “approval” at this time, all recommendations can be, or have been, implemented under the existing CSD language. Mr. Gless asked about seeing the document ahead of the air study and finalizing it after the air study is available; Mr. Perez will check on this potential path for the document with County Counsel.

CAP Attendance Letter – Letter was distributed.

SB 4 Comment Letter by County – No updated on whether the County will provide comment.

E. Operator Update – Lisa Paillet

Drilling – Eighteen wells drilled to date, rig is off the field.

Compliance Document Submittals – as noted above.

2nd Quarter Complaint Log – Ms. Paillet provided a summary of the data in the complaint log. Air quality alarms were discussed, the H₂S alarm would detect certain sulfide based odors. Ms. Paillet provided an overview of how FM O&G responds to a complaint and that the FM O&G operators physically go to the vicinity of the complaint to investigate. Operators are in the field 24 hours a day and have a geographic area of the field they cover and are responsible for. Ms. Gosnell asked about a SOP type of language to be added to the complaint log to document the response protocol. FM O&G does not typically call the AQMD but suggest the public call the AQMD if they have air quality issues.

Field Rig Follow Up Question – Mr. Gless followed up on his question about the number of rigs in the field. Ms. Paillet explained that in the month of May, 3 or 4 maintenance rigs were on the field at any given time.

Bottom Hole Locations in Culver City Follow Up Question -FM O&G will not provide that information, some information is available on the DOGGR website by property address.

AQMD Rule 1148.2 Follow Up Question – Ten wells were drilled subject to the rule with 9 completed with gravel packs.

Well LAI 1-2267 Follow Up Question – Well was cleaned out and acid washed.

F. Abandoned Well Testing Follow Up

Mr. Kuechle provided background on the issue discussed at the June CAP meeting. Mr. Dusette provided a handout with an overview of the testing, required under CSD Provision E.32. Mr. Dusette further explained that the level of concern for methane in the LA Basin is 12,500 ppmv in contrast to the test threshold at the oil field of 50 ppmv. The well that required to be abandoned due to leakage tested at 981,000 ppmv. Mr. Dusette provided an overview of the results of the four wells that have been tested every year since the program began. The variability of the data was discussed and that the exact test location, barometric pressure, and that the gas is biogenic explains the range of the test results.

Given that the test results are below the 12,500 ppmv concern threshold, FM O&G does not modify its operation based on the testing results. Mr. Gless asked about testing annually at each well in question to ensure the possibility of a well leaking and Mr. Dusette pointed out that the provision is for testing areas, not actual wells. Ms. Munoz asked about the test area sizes and locations; Mr. Dusette showed a map of the test locations. Mr. Dusette clarified that the 50 ppmv background level is for soil, not in the air. Ms. Sahli-Wells asked about why the testing was not done at each well and Mr. Perez noted that the test locations were derived from the EIR and are for areas of concern, based on areas where wells have been abandoned, but not individual well locations. Mr. Melvin provided that the result variation can be explained statistically but that more information would be required to make that analysis. Mr. Dusette noted that additional information is available in the Fracking Report and the EIR. Mr. Ferrazzi asked about whether the age of the wells was considered in the process to determine test locations, Mr. Perez noted that the age was considered. Mr. Ferrazzi asked about the sampling method and Mr. Dusette will follow up with the soil vapor expert for additional information.

G. CAP/Open Discussion – David McNeil

Mr. Ferrazzi asked Mr. McNeill about leaking wells in the area outside of the oil field, Mr. McNeill recalled two wells.

H. Public Comment – David McNeil

Combined with CAP/Open Discussion, see above.

I. Approval of Minutes – David McNeil

Approved June minutes.

J. Adjourn 9:00.

ATTENDANCE: 7/24/14

(*absent)

DESIGNATED SEATS PER 22.44.142.J.1.a***Governmental Entities***

1	Department of Planning	Timothy Stapleton
2	City of Culver City	Meghan Sahli-Wells
3	West Los Angeles College	Robert Sprigg for Nabil Abu-Ghazaleh*

Operator (per 22.44.142.C)

5	Freeport McMoran Oil & Gas	Lisa Paillet
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NOMINATED SEATS PER 22.44.142.J.1.a**(Accepted first-come/first-served within each sub-group)*****Landowners (per 22.44.142.C)***

6	Vickers Family Trust	Roger Shockley
7	Cone Fee Family Trust	Liz Gosnell

Neighborhood Organizations (Recognized Homeowners Association)

8	Ladera Heights Civic Assoc.	Carmen Spiva
9	Windsor Hills HOA	Gary Gless
10	United HOA (View Park)	Charles McCaw for Catherine Cottles*
11	Culver Crest Neighborhood Assoc.	John Kuechle
12	Blair Hills HOA	Jon Melvin
13	Raintree Community HOA	Bambi Njamfa*
14	Baldwin Hills Estates HOA	Ronda Jones*

Neighborhood Organizations (No Recognized Homeowners Association)

15	Ladera Crest Homeowner	Rene Talbott*
16	Baldwin Vista Homeowner	Irma Munoz

School Districts

17	Los Angeles Unified	Glenn Striegler*
18	Culver City Unified	Katherine Paspalis*

Neighborhood Organizations (All Others)

19	Windsor Hills Block Club	Toni McDonald-Tabor*
20	Community Health Councils	Erin Steva
21	Baldwin Hills Conservancy	David McNeill
22	The City Project	Daphne Hsu *