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TRANSCRIPT OF
MEETING
of

STATE LANDS COMMISSION
LOS ANGELES, CALIFORNIA

August 18, 1964

PARTICIPANTS:

THE COMMISSION:

Honorable Hale Champion, Director of Finance, Chairman
Honorable Glenn M. Anderson, Lieutenant Governor
Honorable Alan Cranston, Controller

Mr. F. J. Hortig, Executive Officer

Mr. Alan Sieroty, Executive Secretary
to Lieutenant Governor Anderson

OFFICE OF THE ATTORNEY GENERAL:

Mr. Jay L. Shavelson, Deputy Attorney General

APPEARANCES:

(In the order of their appearance)

Mr. James Harvey Brown, Councilman,
City of Los Angeles

Assemblyman Charles E. Chapel

Mr. A. O. Spaulding, Petroleum Administrator,
City of Los Angeles

Mr. Leonard Shane, President Los Angeles
Recreation and Parks Commission

continued

APPEARANCES: (Continued)

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Mr. Karl Ourston, Principal City Planner, Los Angeles Planning Department

Dr. H. H. Levine, Oil Well Committee, Marina Peninsula Property Owners Association

Mr. L. E. Scott, Pauley Petroleum

Mr. Harold A. Lingle, Deputy City Attorney, City of Long Beach

Mrs. James P. Crowley, Citizens Committee for Preservation of Public Beaches and Parks, Long Beach

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Long Beach

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1 MR. CHAMPION: The meeting will please come to
2 order. Minutes of meetings of April 29, May 8 and May 28,
3 1964, having been furnished to the Commission, what is your
4 pleasure?

5 GOV. ANDERSON: I move.

6 MR. CRANSTON: Second.

7 MR. CHAMPION: Stand approved without change. For
8 the convenience of both the Lieutenant Governor, who has to
9 leave early, and some witnesses who are here, we will take
10 up Calendar Item 13, which is approval of resolution, oil and
11 gas lease, City of Los Angeles, Santa Monica Bay, Los Angeles
12 County. Mr. Hortig, what is the status of that item?

13 MR. HORTIG: Mr. Chairman, if the Commission please,
14 actually Item 12 -- which would be determination of Commission
15 policy which must be determined precedent to consideration of
16 the approval of the resolution -- would appear to be the first
17 one that should be considered by the Commission.

18 GOV. ANDERSON: They are both the same?

19 MR. HORTIG: That is correct. One would be general
20 policy.

21 MR. CHAMPION: One is general policy and the other
22 as to Los Angeles?

23 MR. HORTIG: Well, tidelands under the jurisdiction
24 of the State's grantees without reference to specific location.

25 MR. CHAMPION: Would you please expound on the
26 recommendation of the staff on Number 12?

1 MR. HORTIG: As outlined on pages 49 and following
2 of the calendar before the Commission, the Commissioners will
3 recall that at the meeting on July 28th action on th^t subject
4 was continued in order for the staff and the City of Los
5 Angeles representatives to conduct a joint review of the drill-
6 ing and production technology of the oil industry relative to
7 the development of offshore oil and gas deposits to determine
8 any method of operation that would result in an economically
9 feasible oil exploitation program and also satisfy esthetic
10 requirements.

11 Pursuant to this directive of the Commission, the
12 subject has been reviewed and discussed with the Petroleum
13 Administrator of the City of Los Angeles, and it was found
14 that the various departments of the City with responsibility
15 in this operation have heretofore made a comprehensive study
16 of all anticipated problems attendant to offshore operations
17 and these studies are attached to the Commissioners' calendar
18 as Exhibit A, being primarily the results of the reviews by
19 the City Recreation and Parks Commission and the City Planning
20 Commission, which culminated in the adoption of an ordinance
21 by the City Council of the City of Los Angeles with respect
22 to the proposed operation.

23 The Planning Commission, after a full discussion of
24 offshore development and suitable controls which could be
25 reasonably exercised thereon, reached the conclusion which is
26 specified in greater detail in Exhibit 7, a part of Exhibit A

1 of the Commissioners' calendar, "that the City has the responsi-
2 bility to provide adequate control of this development to as-
3 sure that it will not be materially detrimental to the scenic
4 and recreational features of our limited coastline. All off-
5 shore oil drilling techniques, the ocean floor completion,
6 the island and the platform are subject to certain limitations
7 that make their use unfeasible in given situations. Such fac-
8 tors as depth of water, depth of oil sands and quality of the
9 oil will determine the most feasible method. To limit all off-
10 shore drilling to one single technique when most of these
11 critical factors are still unknown, would appear to be undesir-
12 able and could seriously limit potential development."

13 As a result of these recommendations, the City
14 Council adopted Ordinance No. 126825, authorizing the manner,
15 method and controls over the proposed development, a copy of
16 which is attached to the Commissioners' calendar as Exhibit B.

17 Further, the staff of the Lands Division did make
18 an estimate or an evaluation of possible net profits which
19 might result from the development of the proposed parcel from
20 a drilling and production platform compared to the use of ocean
21 floor completed wells -- and those ocean floor completed wells
22 it must be noted would in all probability also require a pro-
23 duction platform, so that such an operation would not be com-
24 pletely devoid of any platform installation whatsoever, in
25 order to make it feasible -- and on the basis of such a com-
26 parison it is indicated that more revenue could result to the

1 City from the use by its lessee of a drilling and production
2 platform in the development of oil and gas deposits, where
3 those oil and gas deposits are located and the platforms would
4 be located more than a mile from the shore, which is the speci-
5 fication provided by the City Planning Commission as well as by
6 the City ordinance.

7 In view of the detailed study and conclusions that
8 have been reached as to feasibility for an operation by a
9 trustee of granted lands, and the detail which has been com-
10 pleted by the respective agencies of the City of Los Angeles,
11 who is the trustee in this particular area, it is recommended
12 that the Commission establish a policy for consideration for
13 approval of applications by coastal communities having an
14 intention to develop the petroleum resources under their juris-
15 diction when such application is based upon complete review
16 and comprehensive plan, enforceable by ordinance, for governing
17 offshore activities within the respective municipal limits.

18 Incidentally, also, there is a letter to the Commis-
19 sion from the Western Oil and Gas Association, an industry
20 association, which recommends consideration by the Commission
21 for approval of the proposed development plan as it has been
22 submitted by the City of Los Angeles.

23 MR. CHAMPION: I also received a copy of a letter
24 from Mayor Yorty. Do you have that?

25 MR. HORTIG: It is comparatively brief, Mr. Chairman.
26 Should I read this letter for the record?

1 MR. CHAMPION: Have the Commissioners received it?
 2 I don't think there is anything - - the letter simply is a
 3 supporting statement of what has been said by the Petroleum
 4 Administrator for the City. Did you receive a copy?

5 GOV. ANDERSON: I believe so.

6 MR. HORTIG: I think I should point out to the Com-
 7 mission there is a specific implication over and above what
 8 has been reported to the Commission before -- at least in
 9 detail.

10 MR. CHAMPION: Will you read that?

11 MR. HORTIG: That over and above the prior possible
 12 drainage which has occurred to the tide and submerged lands by
 13 reason of prior discoveries of oil at the Venice Oil Field, and
 14 I quote:

15 "More currently, the Standard Oil Company expects
 16 to file application for the establishment of four oil drilling
 17 districts between the City of Santa Monica and Marina del Rey
 18 within two weeks. Because these anticipated districts are
 19 located again contiguous with our shoreline properties, our
 20 tide and submerged lands may be expected to sustain still
 21 further drainage of oil reserves unless the City and State
 22 act promptly to prevent it.....

23 "In summary, the City of Los Angeles is aware of
 24 its obligations to the residents of the Santa Monica Bay
 25 region, to make sure that the oil operations do not permanently
 26 mar the seascape and destroy property values. At the same

1 time, we have been entrusted by the State with the careful
 2 administration of our granted tide and submerged lands. To
 3 ignore the implications of continued Venice Oil Field produc-
 4 tion and the future plans of the Standard Oil Company would
 5 be to run the risk of breaching of our trust obligations.
 6 Hence, we respectfully request that the State Lands Commission
 7 approve our petition when the matter is considered August 18,
 8 1964."

9 MR. CRANSTON: Is it your opinion that the City of
 10 Los Angeles has imposed controls that are equivalent to the
 11 controls we presently have in tidelands that are entirely
 12 under our jurisdiction?

13 MR. HORTIG: Under the specific plans which would
 14 be required for development under the City ordinance, the
 15 answer is yes.

16 GOV. ANDERSON: I don't understand that.

17 MR. HORTIG: In other words, the controls for the
 18 particular situation under consideration for proposed opera-
 19 tion under a City ordinance which has a limited area of
 20 geographical application to specific parcels of tide and
 21 submerged lands.

22 GOV. ANDERSON: Because this is a very limited area.
 23 How does this compare with controls we have off Santa Barbara
 24 and Orange County?

25 MR. HORTIG: For all purposes equal to the Commis-
 26 sion's -- operational and esthetic.

1 MR. CRANSTON: That was my question -- operational
 2 and esthetic. It seems to me that that being the case, our
 3 position should be that we should approve the application.
 4 As the first step, I move that we accept this policy recom-
 5 mendation.

6 GOV. ANDERSON: I want to ask some questions.

7 MR. CHAMPION: I think we also may have some wit-
 8 nesses. Let's at least call for testimony on this subject.
 9 Is this the subject you wish to be heard on, Assemblyman
 10 Chapel?

11 GOV. ANDERSON: Let me ask Mr. Hortig a couple of
 12 questions first. You stated the Western Oil and Gas Company
 13 had indicated that they wanted us to adopt the policy that the
 14 City of Los Angeles is recommending; in other words, they want
 15 the island, rather, the platform drilling. Can you tell me why?

16 MR. HORTIG: Yes. Without finding the particular
 17 letter from Western Oil and Gas....

18 GOV. ANDERSON: They felt it would be cheaper and
 19 they would make more money on it?

20 MR. HORTIG: No, sir. I think the recommendation is
 21 based on the same considerations by the City and definitely
 22 by the Lands Division, that to render any development program
 23 economically feasible at all requires the flexibility for
 24 engineering selection of the most effective efficient methods
 25 of production development, whether they be by platform island
 26 or ocean floor completion, as the Commission has considered

1 heretofore with respect to other lands, provided that control
2 conditions are specified -- and would be under the City ordi-
3 nance -- to assure that there be complete protection against
4 and no detrimental effects occurring to the developed shore-
5 line -- residential and recreational activity on shore.

6 GOV. ANDERSON: You are losing me there. Basically
7 what you are trying to tell me is there isn't enough oil in
8 that area to warrant ocean floor drilling; that it is more
9 expensive and either the quantity or quality of the oil might
10 not be enough to warrant that kind of drilling?

11 MR. HORTIG: This might be the case; we don't know.
12 On the other hand, if as a result of the exploratory drilling
13 it is determined that there is enough oil not only near shore
14 but for three miles out, to assure maximum development could
15 require that drilling take place through all the means that
16 are available for oil drilling production -- slant drilling
17 for that oil closest to the soil; platform for that in water
18 not beyond the depths of platforms; and possibly ocean floor
19 completions for only the reason that platforms cannot be oper-
20 ated in water of excessive depth. We have ocean floor comple-
21 tions on State leases that are there today simply because the
22 area could not be developed by platform or island because the
23 water was too deep, but the ocean floor completions are not
24 there simply because of esthetic consideration but for opera-
25 tional necessity or there would be no development.

26 GOV. ANDERSON: Then your answer is we do not know

1 whether there is enough or not enough oil to sustain ocean
 2 floor drilling. We can't say the reason we cannot use ocean
 3 floor drilling is because there is not enough oil or the quality
 4 is not good enough. They do not know that, either.

5 MR. HORTIG: That is correct. I think it goes one
 6 step further. We do not know there is oil there at all.

7 GOV. ANDERSON: We had the same situation in Santa
 8 Barbara, when we started the ocean floor drilling there.

9 MR. HORTIG: The primary problem in Santa Barbara
 10 with respect to ocean floor drilling was that a specified
 11 method of development came into the leases that were issued
 12 and offered by the Lands Commission at the request of the Santa
 13 Barbara County Board of Supervisors and the City Council of
 14 the City of Santa Barbara in public hearings, which are re-
 15 quired by the Public Resources Code to be held by the Commission
 16 before offering an area for lease. The Santa Barbara County
 17 Board of Supervisors on behalf of the residents, and the resi-
 18 dents who testified, stated that for the area easterly of
 19 Gaviota to the easterly boundary line of the County of Santa
 20 Barbara, operations would be satisfactory if platforms were
 21 located not less than at least one mile offshore. Therefore,
 22 for development of any oil deposits within that one-mile zone,
 23 these are being developed by ocean floor completions. Beyond
 24 a mile, they are being developed...

25 GOV. ANDERSON: Do they know there is any oil there
 26 any more than here?

1 MR. HORTIG: Not then.

2 GOV. ANDERSON: But they are using ocean floor
3 development, so the argument they do not know here wouldn't
4 apply.

5 MR. HORTIG: Actually, the proposals under the
6 ordinance of the City of Los Angeles also propose that there
7 be no platforms or structures in the first mile offshore. An
8 operator who was successful in discovering oil in that first
9 mile would be required to develop this oil either by slant
10 drilling from the upland or by ocean floor completion.

11 GOV. ANDERSON: When you arranged this movie for us
12 a couple years ago, when you showed us how the ocean floor
13 drilling was the thing of the future and how this was going to
14 be the answer to navigational problems and esthetics and every-
15 thing else, I don't remember that you explained to us that each
16 time there is going to be one of these there is going to be a
17 production platform necessary on each one. You said we would
18 not even know there would be a well down, except there was a
19 little buoy on top of the water. Is this different today?

20 MR. HORTIG: No, sir. For a group of wells, it
21 might well become necessary that there be a production plat-
22 form; and, as a matter of fact, in the interim...

23 GOV. ANDERSON: We are only talking about perhaps
24 one or two wells.

25 MR. HORTIG: Oh, no sir.

26 GOV. ANDERSON: You explained there might be two

1 islands in this particular case.

2 MR. HORTIG: These would be two platforms that
3 would be sufficient to provide the drilling capacity to cover
4 the area more than a mile offshore and in water depths not too
5 great to support a platform. In other words, an ultimate
6 development - - Let's hypothesize a complete discovery in the
7 total area and necessity for developing the total area to its
8 maximum drilling density in accordance with the best reservoir
9 and engineering practice. It is conceivable that the develop-
10 ment could be engineered and should be engineered to contem-
11 plate wells onshore slant-drilled out into the first half mile
12 of the offshore zone; ocean floor completions on the second
13 half mile; two platforms covering the area from one to two
14 miles offshore; and possibly a series of ocean floor comple-
15 tion wells in the second to third mile because of greater
16 water depths.

17 GOV. ANDERSON: If they had ocean floor drilling out
18 here, they would have to have how many production platforms
19 for what they are talking about now -- one or two or how many?

20 MR. HORTIG: This we do not know, Governor, until
21 we have the type of oil in hand and the production problems
22 resulting from a discovery. Our best analogy is a State Lands
23 lease off Santa Barbara, that started to be developed with
24 ocean floor completion wells only because of excessive water
25 depth. Because of the low gravity of the oil, the cold water,
26 it was discovered that the oil could not be carried all the

1 way to shore, that the oil congealed; and in consequence, to
2 alleviate this production problem, there has now been estab-
3 lished at the approximate center one platform for fourteen
4 wells. But this is the only lease on which we have had to do
5 this as yet, but because of the particular type of oil.....

6 GOV. ANDERSON: From what you said a few years ago,
7 you said the oil could be piped into the facilities on shore
8 and this could be the answer to our esthetic problems. Are
9 we now looking in the other direction?

10 MR. HORTIG: Not at all. We said at the time of
11 that presentation, you will recall, that this could not be
12 considered the panacea to all problems but it was going to be
13 an asset where applicable and particularly for near-shore com-
14 pletions. The logical situation still is to pipe the oil on
15 to shore and this is done on every one of our other State leases.

16 GOV. ANDERSON: A mile out is not close enough to be
17 feasible?

18 MR. HORTIG: It can be depending on the quality of
19 the oil. We are doing this on some of the State leases; yet
20 we have another lease where we can't do it. This is simply
21 because of the quality of the oil.

22 MR. BROWN: Mr. Chairman, I have this problem --
23 that the Council convenes at ten and I am about overdue.

24 ASSEMBLYMAN CHAPEL: I yield.

25 MR. BROWN: I am James Harvey Brown, City Council,
26 and merely want to put the Council on record as approving the

1 recommendation that the lease which the Council has adopted
2 be approved. We have a number of experts here who are better
3 able to testify in connection with the new S.L. zone and the
4 lease which the Council approved under the recommendation of
5 its committee; and, as I say, Mr. Chairman, I am no expert and
6 not qualified to discuss it in detail, but the Council is
7 satisfied that the esthetic and economic situations are well
8 taken care of in the new S.L. zone and the proposed lease.

9 GOV. ANDERSON: Jim, is it my understanding that
10 your staff recommended ocean floor drilling and that then the
11 Planning Commission, or whoever it was, came back and said,
12 "No, give us an alternative," so then they came back with the
13 island? Wasn't the original recommendation of your staff for
14 ocean floor drilling?

15 MR. BROWN: I think you are probably right; but I
16 think one of the problems, Glenn, is the problem of oil,
17 assuming there is any. It is the kind of oil that is presum-
18 ably there that we would have trouble with in ocean floor
19 drilling.

20 GOV. ANDERSON: That the quantity or quality is not
21 good enough?

22 MR. BROWN: The quality. The quantity is, of course,
23 undetermined; but the quality, I suspect from what we know
24 about the other wells producing in the area, is such that it
25 doesn't lend itself to ocean floor drilling too well.

26 GOV. ANDERSON: If the quality is low and the

1 quantity is either low or undetermined, shouldn't we think an
2 awful lot before we do anything over there?

3 MR. BROWN: Except that we are in the position of
4 having our pool, again assuming there is oil out there, drained
5 by onshore drilling. If there is oil, we need the revenue
6 very badly for our beaches. So we do have concern about the
7 fact that our pool, if there is a pool, is being drained.

8 GOV. ANDERSON: But if it isn't good enough quality
9 or enough quantity to use the ocean floor, it probably isn't
10 very much anyway? I mean, if it is enough to make it worth
11 while, it should be enough to make it worthwhile to do it
12 right; and if we allow you to do it, isn't El Segundo, Redondo,
13 and so on going to say "We may have something out there, too,"
14 and we are going to have everyone running out there with wells.

15 MR. BROWN: I am assuming the State Lands Commission
16 is going to safeguard your condition.

17 GOV. ANDERSON: That is what we are worrying about
18 today.

19 MR. BROWN: I think that is your prime concern.

20 GOV. ANDERSON: Well, if we let you do that, can we
21 go to El Segundo, Redondo and Palos Verdes and say that they
22 can't?

23 MR. BROWN: From a practical consideration, I don't
24 think so, but if they follow the safeguards we propose you
25 have no concern. I think with the safeguards for this S.L.
26 zone, together with the proposed lease, the esthetics are

1 safeguarded in this matter. We do have a very real concern
2 that our pool, if there is any, is being drained. I don't
3 think there is any question about it, particularly with the
4 Standard Oil application coming in.

5 MR. CHAMPION: Thank you, Councilman. Let's hear
6 now from Assemblyman Chapel. He has been patient with us and
7 I appreciate it very much.

8 ASSEMBLYMAN CHAPEL: Thank you, Director of Finance
9 Champion, Controller Cranston and Lieutenant Governor Anderson.

10 (Portions of Assemblyman Chapel's remarks were
11 considered to be off the record, other portions were not
12 intelligible to reporter)

13 Now, here's the whole thing. I am really serious
14 about this. No one paid me. I have no reward, but I want
15 to tell you what I am here to tell. I am not like a lawyer;
16 I don't lack a foundation in this case. I was told this thing
17 had already been passed upon, but if you will hear me out a
18 few minutes and see why the State Lands Commission and the
19 State of California should postpone their decision, I don't have
20 to say that a week or two is long enough for me to find some
21 impartial oil experts.

22 Now, here's the thing, gentlemen. On the face of it,
23 item 13, they are asking for approval for the City of Los
24 Angeles apparently for the right to drill offshore, as the
25 case may be. I can't speak about oil jargon. Now going down
26 you will go down to the City of Santa Monica, an incorporated

1 independent city. I am not going into that -- they have
2 people here to speak for them; they are not my people anyway.

3 Now, the City of Venice is part of the City of
4 Los Angeles, incorporated. I have with me the original grant,
5 a photostat. Now, originally Venice was an independent city,
6 at least it wasn't part of Los Angeles -- whether it was
7 county territory or not -- and they had a grant, what we call
8 an ancient grant. If you don't mind, I use the words "ancient
9 grant" and that distinguishes it from modern grants with no
10 oil and gas. If you will let me use the words "ancient" and
11 "Modern" grants, you will know what I am talking about.

12 Venice acquired an ancient grant before they were
13 incorporated into the City of Los Angeles. Now, they have the
14 right to drill, explore and drill.

15 Now here you drop down, they act like a different
16 city, yet they too are part of the City of Los Angeles and
17 because the City of Los Angeles has the same grant, you can
18 drill for oil off Venice because they have an ancient grant.

19 Now, I am going to drop down to El Segundo. That's
20 an incorporated city, doesn't have any kind of grant because
21 they don't want it. I tell them "Get a modern grant." They
22 don't want it. "It's just the police problem; you can chase
23 the drunks off, otherwise the drunks stand out there. You
24 have tidelands rights -- with a boat you can put the bracelets
25 on them." But they don't want it. I said, "All right, no
26 grant." Believe me, that's El Segundo. Everybody wants to