



CARSON ESTATE TRUST
CARSON DOMINGUEZ PROPERTIES, L.P.
CARSON ENERGY LLC
www.carsoncompanies.com

August 11, 2015

BY E-MAIL

Members of the City Planning Commission
City of Carson
City Hall
701 East Carson Street
Carson, California 90745

Re: Proposed Zone Text Amendments 19-15 and 20-15 re Petroleum Operations, Hydraulic Fracturing and Acidizing (collectively, the "Amendment")

Ladies and Gentlemen:

We are writing to address some of the comments made during the public comment portion of the Planning Commission meeting held on the Amendment on July 28, 2015. As you know well, one drawback to the public comment process is that it allows individuals to make statements with little or no opportunity for others to challenge their accuracy or relevance to the issue. Please let this letter serve as our attempt to correct a few, but far from all, of the misstatements that were made at that hearing. First, however, let us briefly explain why this issue is so important to us.

Importance of the oil ordinance to the Carson Companies

While Carson Estate Trust is a general partner of Dominguez Energy LP (DELP), the entity that owns the majority of the mineral rights in the Dominguez oilfield, Carson and the other general partner each only own 1% interests in DELP. Ninety-eight percent of the ownership in DELP, and thus most of the mineral rights in the Dominguez oilfield, are owned by hundreds of individuals, as well as a number of charities who have been gifted interests in DELP over the years. These charities include Good Samaritan Hospital, Union Rescue Mission, the Catholic Education Foundation, and many others. It's important to note that DELP does not own any of

the surface rights above its mineral interests, so if oil production is effectively banned, the City will have taken everything DELP owns.

There are at least 50 to 80 million barrels of recoverable oil in the Dominguez field. While today's low oil prices do not justify the very high cost and financial risk of extracting this oil at this time, it is clear that oil prices will someday rebound and production will once again make economic sense. Even at today's depressed prices, though, 50 to 80 million barrels is still roughly \$2.5 to \$4 billion worth of oil. If the City's ordinance effectively prevents oil drilling, clearly the huge amounts of money at stake would leave DELP with no option but to sue the City of Carson to recover just compensation.

Misstatement #1: The City of Carson is a "front line" city

The implication behind this comment was that siting oil wells in Carson is some sort of environmental injustice. The environmental justice movement makes sense when addressing decisions to locate prisons or landfills. But the one situation where environmental justice arguments make no sense at all is in the location of oilfields, since oilfields are necessarily located *where the oil is*. Thus, oilfields are found in places as diverse as Bakersfield, Beverly Hills, Newport Beach, Huntington Beach, Los Angeles, Santa Barbara, Signal Hill, etc.

Misstatement #2: We don't need oil and gas production

There seems to be a presumption amongst many of the outside environmentalist speakers that we don't need oil and gas in our lives. While it's true that wind and solar energy are contributing more to our energy needs than ever before (as much as 4% by some estimates), we are still a very long way away from eliminating fossil fuels from our lives. According to the California Energy Commission Energy Almanac (www.energyalmanac.ca.gov) California consumed 624 million barrels of oil during 2013, or roughly 1.7 million barrels per day. Of this amount, only about 37% was produced within California. This means that over 1 million barrels of oil are imported into California from Alaska or the Middle East every day. Oil can be imported by train or truck but the vast majority comes into the state by ship. Transportation of so much oil itself results in a huge amount of energy consumption and its resulting environmental impacts. Clearly, our need for oil will continue for some time, but we can lessen the environmental impact of our oil usage by producing it locally instead of shipping it from the Middle East and other distant sources.

Misstatement #3: Allowing oil production in Carson will give rise to another Carousel

We are very mindful of the tragic situation at the Carousel tract in Carson and the physical, emotional and financial harm that it has caused to the families that live there. It is important to keep in mind, though, that the Carousel problem arose from the 1960's decision to allow the construction of housing on the site of a 1924 tank farm, which was operated in accordance with

standards that would never be permitted under today's stringent environmental regulations. It's because of situations like Carousel that we have the extensive environmental and state oilfield regulations that exist today.

Misstatement #4: Oil production causes air pollution

At the Planning Commission meeting on the 28th, a number of people complained about poor air quality in Carson. As the speakers noted, the primary source of the air pollution they were talking about are the Carson refineries. While it's true that refineries are oil related, it's important to keep in mind that oil refining is an exceptionally complex industrial process in which huge quantities of petroleum products are heated under great pressure to produce gasoline and many different kinds of exotic petrochemicals, which unavoidably produces vastly more air pollutants and risk of explosion than could any modern oil well.

Crude oil itself is generally not considered particularly hazardous. In fact, it is the main ingredient in the asphalt with which we pave our roads and roof our homes. By contrast, even gasoline, the most widely used of the many chemicals produced in refineries, requires careful and special handling to maintain an acceptable margin of safety.

The impact to air quality from a drill site is generally limited to any exhaust from production machinery on site (pumps, separators, etc., in the limited instances where this machinery is not powered by electricity) and safety flares. These already minimal impacts are tightly regulated by the State of California and the Air Quality Management District. In other words, the air quality impacts of refineries are unavoidably significant, while the air quality impacts of oil wells are minimal—far less than most of the industrial operations carried on in and around the City.

As noted in the City of Carson's draft EIR for the now-shelved Oxy project, the production of oil in Carson actually *alleviates* air pollution because it reduces the need for truck, train or shipped crude into the Carson refineries and the other refineries in Torrance and surrounding areas.

Conclusion

We understand that the speakers at the hearings on the oil code have genuine fears and concerns. But for the most part those fears and concerns stem either from real problems caused by uses other than oil wells, such as refineries, or from misinformation provided by outsiders opposed to any oil production anywhere.

The result of this fear and misinformation is a draft oil code that goes far overboard, effectively preventing oil production in Carson and running afoul of both state law and the constitution. We believe that the City's oil code can be updated in a manner that balances the rational concerns of residents regarding the surface operation of oil wells with those of the oil industry and mineral owners. These interests coexist in a number of places throughout Southern California; Signal

Hill and Huntington Beach are good examples. The City of Carson, where oil production has continued without incident since the 1920's, can certainly find a way to balance these interests.

Sincerely,

Carson Estate Trust as general partner of
DOMINGUEZ ENERGY, L.P.

A handwritten signature in blue ink, appearing to read 'John W. Hawkinson', is written over the typed name and title.

John W. Hawkinson
Senior Vice President, Finance