

Rush to find crude on land since gulf oil spill

Joe Carroll, Bloomberg News, 5-20-10

Occidental Petroleum Corp., the oil explorer that pumps enough crude to fill a supertanker every four days, is leading a rush to find crude on land as BP Plc's Gulf of Mexico disaster spurs tougher offshore-drilling rules.

Occidental on Wednesday doubled its estimate for a discovery near Bakersfield to the equivalent of as much as 500 million barrels of oil, which would have a value of more than \$34 billion at current prices. The Los Angeles company bucked the oil-industry migration to deep-sea drilling during the past decade and focused on onshore fields from California to Texas to Abu Dhabi.

Chevron Corp. of San Ramon owns a 20 percent stake in Occidental's California discovery. The prospect lies beneath privately owned lands covered by mineral leases Occidental began amassing half a decade ago.

Rival energy producers may have little choice but to follow Occidental's example after the Interior Department halted new offshore drilling permits in the wake of the fatal April 20 explosion at a BP prospect off the Louisiana coast, said Brian Youngberg, an analyst at Edward Jones & Co. in St. Louis.

"There is a lot of new interest in onshore-production potential in the U.S. and Occidental is at the forefront of that," said Youngberg, who has a buy rating on the shares.

Occidental disclosed the higher estimate for the California discovery in materials prepared for a presentation to investors and analysts today in New York.

The oil explorer has kept the precise location of its discovery in Kern County a secret to prevent competitors from trying to horn in on the prospect by purchasing adjacent tracts of land. Last year, the company estimated the field holds the equivalent of as much as 250 million barrels of crude.

Howard Weil Inc., a New Orleans investment bank, said in September the discovery may be four times as large as the company's estimate, or 1 billion barrels, which would be enough to supply every refinery on the West Coast for 13 months.

Efforts to determine how wide and deep the Kern County field extends have been frustrated by a lack of equipment to process natural gas that flows from wells along with the crude, Chief Financial Officer Stephen Chazen said in a March 22 interview in New Orleans.

"It's not a stretch to say that our Kern County discovery could be a half-billion-barrel field," Anita Powers, executive vice president of worldwide exploration, said Wednesday at the New York meeting.

The company is building a gas-processing plant in Kern County to accelerate development of the field, Chazen said in the interview. Occidental plans to complete the facility, which will augment two mobile processing units scheduled to go into operation by the middle of this year, in early 2011.