

Whittier hopes to profit from oil from land preserved with taxpayer funds

L.A. County also wants to get in on the potential plan for a Santa Barbara oil company to put up to 52 wells on land in open space bought using Proposition A funds. Conservationists are saying 'Not so fast' to both.

Louis Sahagun, Los Angeles Times, 10-7-10

A small city that used Los Angeles County tax dollars to buy a verdant stretch of the Whittier Hills to keep it out of the hands of oil companies now wants to profit from a plan to pump at least 1,000 barrels of crude a day on the same property.

And it has a formidable competitor eyeing a share of the royalties, which could range from \$7 million to nearly \$70 million a year.

The dispute between Whittier and Los Angeles County hinges on whether the city has a right to allow development on the 1,280 acres of hill country it purchased in 1994 with \$17 million of Proposition A funds, which were intended for conservation purposes. Until now, the 21,000 acres of open space and parklands created countywide with Proposition A funds had never hosted a business larger than a taco stand or boat concession.

The average L.A. County homeowner pays about \$18.50 a year to a property "benefit assessment" district designed to raise money to expand, renovate and maintain parks and open space from Long Beach to Lancaster. It also funds inner-city recreation programs meant to keep young people away from gangs.

Facing the release Thursday of a final environmental impact report on the drilling project, Whittier is eager to settle the controversy.

"We are not here to simply benefit the county; that is not going to happen," said Whittier City Councilman Bob Henderson, who led the fight to preserve the land in the early 1990s. "If the county is unwilling to work with us toward a win-win compromise, then, as far as I'm concerned, there will be no drilling at all."

So far, no such compromise is imminent. "Whittier wants to look as though it has presumptive rights to this royalty money, but the confidence expressed by Whittier in this matter is the city's alone," said Ilona Volkmann, administrator of the Los Angeles County Regional Park and Open Space District, which administers Proposition A funds. "Whittier can go ahead with this oil deal, but proceeds from disposal of the property must be returned to the county."

When Whittier acquired the land from Chevron and Unocal oil companies, it also obtained the mineral rights. "We just wanted to make sure the oil companies couldn't someday decide to renew oil drilling there," Henderson said of the transaction.

That was back when oil was selling for about \$12 a barrel. In 2008, a year when oil prices soared past \$100 a barrel, the City Council had a change of heart. It voted unanimously to lease the property for 30 years to Matrix Oil Co. of Santa Barbara.

"Times change, and the oil industry uses different, less destructive technologies than it did 15 years ago,"

Henderson said. "Beyond that, the oil is worth from \$600 million to \$1 billion. It would be foolish to just let it sit there."

Under terms of the lease, Matrix would use slant-drilling technologies to tap an estimated 20 million barrels of recoverable oil. Whittier, a city of about 90,000, would receive royalties amounting to 30% of the annual gross revenue from the wells.

The prospect of a revenue stream that is not tax-based has attracted the attention of Los Angeles County, which claims it has legal rights to any royalties generated by the venture. Meanwhile, conservationists contend that neither the city nor the county is authorized to industrialize open space purchased with Proposition A funds.

"The city opened a Pandora's box when it broke the compact it made with the people whose taxes were used to buy and preserve that land," said Daniel Duran, president of Whittier Hills Oil Watch, a group opposed to the project.

Whittier is paying \$15,000 a month for a weighty ally to represent its interests: Proposition A author Esther Feldman. She now believes drilling in a nature preserve does not undermine her proposition. "I believe that this proposal to extract oil and gas from 1% of the preserve can be done in a modern fashion that maintains the integrity of the proposition," she said.

So Whittier is moving ahead, "based on the interpretations of the author of Prop. A and several attorneys," Henderson said.

"If Matrix can drill without causing ecological damage and at the same time make money for the city of Whittier — that's very attractive," he said. "Matrix is looking at producing 1,000 barrels a day.... That's huge money. With it we can do a lot of productive things to restore habitat.... But the project only makes sense if the city of Whittier benefits from it."

After all, Henderson added: "We own the mineral rights."

Whittier resident Eddie Diaz, a spokesman for Open Space Legal Defense Fund, a local group opposed to the project, predicted that the dispute would land in court.

"This is not a municipal affair and the city cannot use this land at its whim," said Diaz, a deputy city attorney for Riverside. Whittier may hold title to the park, he said, "but it holds that title in trust for the residents of the county and to fulfill the mission of the state's open space policy."

The Matrix project would include as many as 52 wells, pipelines and truck-loading facilities on land that had been set aside for sensitive species. Most drilling and pumping equipment would be placed in soundproof underground vaults, some of them less than 1,000 feet from homes and an elementary school for children with special needs.

"Our goal," said Matrix Vice President Mike McCaskey, "is to return the field to its level of production in 1991 — about 1,000 barrels a day — which could be achieved with a handful of wells. But if we are wildly successful, and the price of oil stays higher, we could see numbers as high as \$70 million per year for the city."

Duran, who lives just a few yards away from the project site, dismissed that kind of talk as "an attempt to cloud the real issues with grandiose economic projections."

"They are shooting hypothetical wads of money into peoples' minds," he said, "to overwhelm common sense and bury our concerns about impacts on quality of life, the environment and our recovering wilderness."