

California Oil Producers Cheer Firing of Top State Regulators

Bradley Olson and Mark Chediak, Bloomberg News Service, 11-5-11

Representatives for California oil and natural-gas producers expressed approval for Governor Jerry Brown's decision to fire two state regulators who they said played a role in a slowdown in permitting for new drilling projects.

Brown fired Derek Chernow, acting director of the California Department of Conservation, and Elena Miller, oil and gas supervisor at the department's Division of Oil, Gas and Geothermal Resources, said Richard Stapler, spokesman for the California Natural Resources Agency.

The number of permits granted for new drilling projects declined 73 percent since 2008, the last year before Miller took over. That decline came during a fourfold increase in applications as energy companies sought to tap the vast potential of the Monterey Shale, which holds more than 15 billion barrels of oil, according to the U.S. Energy Information Administration.

Oil companies are "extremely happy" about the governor's decision, Catherine H. Reheis-Boyd, president of the Western States Petroleum Association, a Sacramento-based trade group, said yesterday in a telephone interview. "They have been extremely frustrated dealing with an agency that in the past had a wonderful working relationship with industry."

Occidental Petroleum Corp. (OXY), Plains Exploration & Production Co. (PXP), Berry Petroleum Co. (BRY) and Venoco Inc. (VQ) all hold thousands of acres in California, and Los Angeles-based Occidental has the highest rig count with 26, said Phil McPherson, an analyst with Global Hunter Securities LLC, in a Sept. 9 note. The next-highest rig count is 11, held by Aera Energy LLC, a jointly held subsidiary of Exxon Mobil Corp. (XOM) and Royal Dutch Shell Plc. (RDSA)

Crude Production

Melissa Schoeb, a spokeswoman for Occidental, did not immediately return a call seeking comment.

"The governor made the right decision," Les Clark, executive vice president of the Independent Oil Producers Agency, an industry trade group, said yesterday in a telephone interview. "If you continue to turn down permits that involve the oil industry, it's going to take its toll."

Miller and Chernow couldn't be immediately reached for comment.

Chernow will be replaced by Cliff Rechtschaffen, a senior energy adviser in the governor's office, Stapler said. A replacement for Miller has yet to be named, he said.

As the state's oil and gas supervisor, Miller was charged with balancing environmental concerns with the need to maximize oil and gas production in the nation's third-largest crude-producing state, said Randy Adams, who led the Division of Oil and Gas's Bakersfield office before retiring Oct. 19.

Permits Needed

The division approves permits for a variety of oil drilling in California, where crude was collected and used to light buildings as early as 1854 from natural “seeps” where it spilled out of canyons, according to the California Department of Conservation.

The state had granted 14 permits essential to new drilling projects as of September of this year out of 199 applications received, compared with 27 out of 100 in 2010 and 37 out of 52 the year before that, according to state figures.