

Australian oil company expands drilling in Monterey County; interest in fracking slows.

Sara Rubin, Monterey County Weekly, 10-11-12

Forty years is nothing in geologic time, but for oil prospectors, it can be an awfully long wait. For the first time since shutting down in the 1970s, there's a renewed interest in the Paris Valley Oilfield, just about five miles north of the San Ardo oil fields, where derricks actively plunge 2,000 feet into the ground.

Neon Energy Corp., the California subsidiary of Perth, Australia-based Neon Energy Ltd., has renewed a 2008 application to the County Planning Department for up to six test wells.

Don Nelson, vice president of Neon (which was formerly named Salinas Energy Corp.) says they'll use more modern technology – namely, steam injection – to access more crude oil from the sands of Paris Valley than their predecessors could.

“If we have success with the testing, we'll be back to the county for hopefully permitting an ongoing production operation at a later date,” Nelson says.

Neon holds exploration rights on some 12,500 acres in the Salinas Basin, where the relatively small company is looking for traditional “heavy oil” deposits found in sandstone formations.

In its Kern County operations, Neon officials are considering a more controversial technique, hydraulic fracturing, or “fracking,” but in Monterey County they'll stick to the more conservative steam-based drilling.

“We understand how sensitive the county is to that, so we're not planning to do any fracking,” Nelson says.

There's no county ordinance on fracking, but the Planning Department deployed a new checklist for oil permit applicants about eight months ago, requesting information on drilling techniques.

County Planning Director Mike Novo traveled to San Luis Obispo and Santa Barbara counties for advice from heavier drilling areas on how to get more detail from prospective operators. (Neon is the first applicant to use the new, more rigorous permit application.)

County Supervisor Simon Salinas says as long as operators are sticking with heavy crude, instead of deeper reserves accessible only via fracking, he supports expansion of the industry. “If done responsibly, it could add economic benefit to our county,” he says.

Because neither county nor state regulators have historically asked operators if they use fracking, it's unknown whether there are any fracked wells in Monterey County.

A proposed state moratorium failed in the state legislature this year, and there's no discussion at the county level of implementing limitations on fracking. “We're very concerned about fracking and we want to know more about it,” Novo says, “but we're not ready to close the gates yet.”

Most existing drilling permits don't expire, so the county's new checklist asking for detailed information