APRIL 29, 2009

The Derrick Next Door: Suburb Explores a Crude Solution to Its Budget Woes

Whittier, Calif., Hopes to Strike Oil in a Field Chevron Forsook; View From Honolulu Terrace

By NICHOLAS CASEY

WHITTIER, Calif. -- The five biggest car dealerships here went belly up in the space of a year. The Mervyns department store was liquidated. And the city is so strapped for cash it has pulled the plug on its Fourth of July fireworks.

But now this Los Angeles suburb thinks it has found the answer to its troubles: It's going to drill, baby, drill.

A Texas A&M University-trained geologist has come here to dig test oil wells, an environmental review has been launched and city officials are tallying up how much money could be in it for Whittier.

"The numbers I've been shown, wow, they're unbelievable," says Greg Nordbak, Whittier's mayor pro tem. "If this could come in, this could certainly endow Whittier's future for the next 100 years," he says.

Indeed, a hundred years ago, the landscape here was dotted with oil derricks. Wells gushed out into pipelines, and fortunes were made.

In 1993, Chevron Corp. gave up the ghost and turned the field over to the city. "We go for big oil fields," a Chevron spokesman says, and Whittier just "wasn't economical." Whittier, for its part, saw its legacy in President Richard M. Nixon -- who attended college here when he couldn't afford Harvard -- and the city was glad to be rid of the pumps.

But then last year, as tax revenues plunged and oil crept up toward $150 a barrel, Bob Henderson, the town's mayor, had a revelation.

"I was sitting at home, just idly thinking about this possibility of oil drilling and suddenly thought: 'Oh, my God, when I purchased the old Chevron property, we demanded they give us the oil rights.'"

The demand was made so Whittier could convert the area into a wilderness preserve. Says Mr. Henderson: "It's home to an awful lot of animals -- bobcats, coyotes, hundreds of birds."

Bittersweet Epiphany

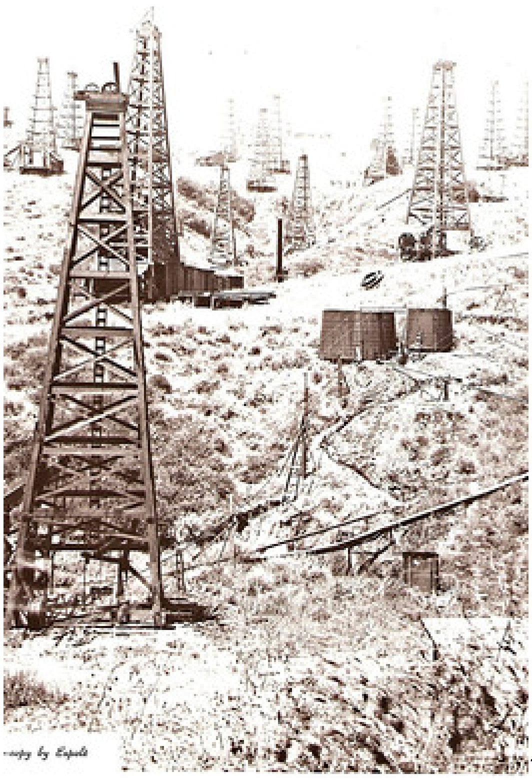
But oil, he says, could fuel a renewal for his town of 90,000. And even with oil now trading near $50 a barrel it's still enticing. "We know that at the time that the Chevron field stopped, they were producing 900 barrels a day." If they could coax the wells to put that out again, there could be a fortune.

The epiphany has been bittersweet, and has led this town, founded a century ago by the Society of Friends, otherwise known as Quakers, to do a bit of soul-searching about its own oily past.

Some locals distrust slick promises about easy money. "It's noisy, smelly. The guys who work there don't have such great language," says Donna Hollander of Whittier's Honolulu Terrace. The view from her living room is nothing like the shores of Waikiki. There are still some producing oil wells in the neighborhood, too close for comfort, she says.

Next to the Volcano

Five doors down from one of those wells, Mary Hanson says, "It's like being next to a volcano. You never know when it is going to erupt." Her husband, Chuck, agrees, but admits Whittier simply "needs money." A retired entomologist, Mr. Hanson, 86 years old, worked in the oil business for two years in the 1950s, but didn't like it much. He left after Chevron had him work on a project killing insects with a product derived from oil. "It just suffocates them," he says.


The Whittier Museum

Around 1890, oil wells dotted the Whittier Hills near Los Angeles.

Just where oil is lurking in modern-day Whittier is anyone's guess. Candace Holley, who runs the archives at local Whittier Museum off Philadelphia Street, boasts a 15-foot stucco diorama of Whittier from about 1900. Tiny homesteads stand in the shadows of mighty miniature derricks. Pointing toward the dusty back corner of the diorama -- around Newlin Avenue and Beverly Boulevard -- she states plainly: "I know there was oil there."

Ms. Holley has brought documents. Exhibit A: a driller's map dated 1959. In accompanying notes, a geologist identified as W.J. Hunter boasted of a rock formation from the Miocene Epoch that gleamed with boulders of "tourmaline-actinolite-quartz plutonites."

Signs of petroleum? "No idea," admits Ms. Holley.

Down the way at Santa Fe Springs, is the site of an old Union Oil Co. derrick, nicknamed "Alexander." On a morning in 1922, on that spot, "Like a tornado there burst a huge eruption," says an old copy of the

Union Oil Company Bulletin. "The crew had to run for their lives....It was like a miniature Kilauea." The gusher continued for hours.

But on a recent spring day, no one could remember even having seen any telltale signs of seepage. "Oil...here?" asks a neighbor.

Town-Lot Specialty

Mike McCaskey is a geologist with closely held Matrix Oil Corp., up the California coast, in Santa Barbara. His company, now working with Whittier, specializes in setting up "town lots" -- the art of pulling petroleum straight out of the nooks wedged between people's houses.

A thousand feet below Whittier, against a fault and under many sandstone layers, Mr. McCaskey believes, there could be "10 million to 20 million barrels of recoverable oil."

Since the California oil booms of the 19th century, the Los Angeles basin has pumped out the better part of a trillion barrels of oil, he says.

Famed Tar Pits

And there's plenty left. Los Angeles's famed La Brea Tar Pits still bubble on Wilshire Boulevard -- the black goop oozing onto the grass at the adjacent county art museum. Oil is being extracted from the seabed at the Port of Long Beach.

Some residents think of prospecting for oil as a return to the Whittier's glory days. "I'm a lifelong resident of Whittier and I intend to die here," says J.C. "Mac" McFarland, whose father, he says, invented a contraption that could disguise a derrick as a high-rise. Semiretired from the oil business, he's helping Mr. McCaskey work with the city.

"The potential is tremendous," says Mr. McFarland. "If you take 750 barrels a day," he says, typing the number into an adding machine. "And if you took just a $50 barrel price, just $50, today's price...." He taps the machine again. The printout pushes forward. "And you take 30%" -- the city's royalty -- "and you multiply that by 12 months..."

"I feel like I'm one of those guys that has oil pumping through my veins," he says.

Write to Nicholas Casey at nicholas.casey@wsj.com

Printed in The Wall Street Journal, page A1