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City has oil companies over a barrel

No longer welcome in Huntington

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HUNTINGTON BEACH — On Nov. 6, 1920, a handful of men stood around the second oil rig in Huntington Beach, anxious about the low rumbling they heard and the quaking ground they felt.

Suddenly, with a roar that was reportedly heard for miles, Huntington Beach's future lept from the ground as Bolsa Chica No. 1 exploded with a gusher that covered the lowlands below the bluffs with black crude oil.

Although the initial strike happened almost a year before, near the corner of Goldenwest Street and Clay Avenue, the Bolsa Chica gusher was a landmark event that consummated the beach town's marriage to the oil industry.

Now, 70 years later, that marriage is going bad.

The sulphourous smell of prosperity that once filled the air is now a nuisance to many, and residents — from City Hall to the grass-roots level — are scrambling to distance themselves from the black gold that set the city's economy on fire more than half a century ago.

When oil fever hit Huntington Beach, then only 15 years old, the town had a population of barely 1,600 and land went for about $15 per acre.

Within months, the population swelled to more than 6,000 and land began to sell for up to $1,000 per acre.

By 1930, a person could stand on the coast and look north and south into a forest of oil wells that stretched into the distance as far as the eye could see.

There were numerous smaller booms that kept the industry and the area financially healthy through the '20s and into the Great Depression and World War II. The names recall times when fortunes were made and lost with the sinking of each new well: The Town Lot strike of 1927, the Five Points boom of 1936, and the Tar Sand-Palm Avenue gusher in 1947 are just three of a string of strikes that, at times, seemed unlikely to end.

For the city, oil meant — and still means — money. Each year, city coffers reap millions of dollars from taxes and fees produced by the wells.

But the times when oil was king in Huntington Beach are, if not completely over, then by most accounts on the decline.

Although the city's 1,600 wells are owned by 45 companies and individuals, Shell Oil Co. and Cheveron U.S.A. own more than 1,300 of them.

Huntington Beach officials regulate the wells via the oil division of the Fire Department, which enforces the oil code as set down by a City Council-appointed committee.

Debbie Cooke, a local resident and environmental activist, said that she had no problems with independent producers, but resented the amount of influence that the larger companies such as Signal or the Huntington Beach Co. have over elected officials.

"The problem is with the oil companies that become developers," she said, adding that wildlife could live among the wells, but couldn't survive amid the tract homes.

Additionally, oil companies have new competition from an unlikely source — tourism.

Earlier in the year, Chevron officials agreed to cap some wells along the beach for beautification, and company officials are negotiating to leave Huntington Beach completely, city oil field inspector Mark Bodenbender said.

"In about a year and half, Cheveron will be completely gone," he said.

Shell is now in negotiations with the City Administrator's office to pull out of the city, Director of Public Services Lou Sandovall said earlier in the year.

Bodenbender said that although wells are closing, city officials are encouraging production. Future production sites will be more isolated and increasingly consolidated, he added.

Although city officials are not openly hostile to new drilling, they are no longer courting oil companies as the city did in the days when four-fifths of the City Council was made up of oil men.

Many oil company executives, sensing the change coming over Huntington Beach, are hedging their bets and are cashing in on skyrocketing land costs as the gusher of the 1990s.

A 1980 report from the Community Development Department predicted the increase in land value and noted that a city trying to lure tourists would be hurt by the wells.

"The costs associated with these kinds of adverse impacts include diminished property values, enjoyment of recreation areas and a reduced amount of visitors," the report, titled the "Fiscal Impacts of Oil in Huntington Beach." stated.

Although the report concluded that the industry was safe at least through the '80s, it predicted that oil's role in the city would begin to diminish.

Carl Weaver, the largest independent producer in the city with 43 wells, agrees.

"There is no doubt. I think that the independents are on the way out," Weaversaid.

But with gloom predicted for the independents and the large oil companies bugging out, Weaver said he's not going to leave anytime soon.

"I am going to be contrary, I'm not ready to chuck it all away yet," he said.

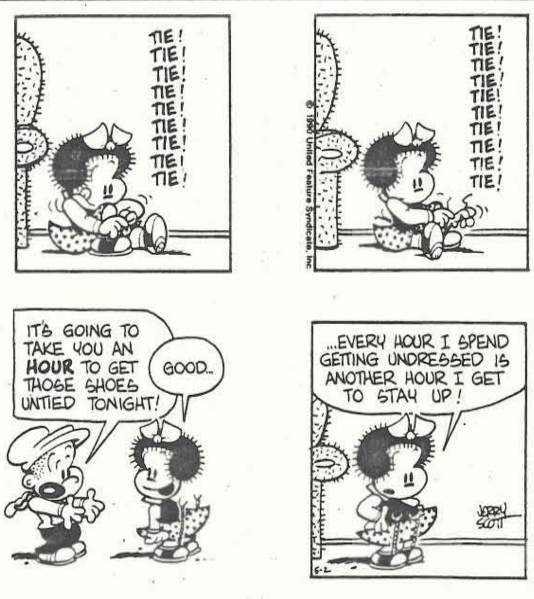
Weaver said that although an influx of foreign oil and skyrocketing property values have made it lucrative to sell his land, he thinks the situation will change within a few years.

Labor, fees and regulatory expenses add up to about $10 per barrel, and the output of the wells has declined to the point where Weaver gets about nine barrels a day out of an average well.

He quickly added that the lower output didn't mean there was no more oil in the ground — just that it was more difficult to recover.

Weaver thinks the average price for oil will go from about $14 barrel to $30 and that enhanced recovery and drilling techniques will make the industry profitable.

"Then anyone with a well will have their own little gold mine again," he said.



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