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Whittier awards Matrix possible rights to drill for oil

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WHITTIER - The City Council Tuesday unanimously awarded Matrix Oil Co. of Santa Barbara the possible rights to drill for oil in the Whittier Hills.

The company's bid calls for 30 percent royalties - higher than the 20 percent the city set as its minimum bid. Matrix was the only company to submit a bid. "This is one of the most exciting things to come to Whittier as long as I've been here as far as generating revenue," Councilman Greg Nordbak. "We're not going to do anything that will damage the environment. This is a huge opportunity for this city." City officials have said Whittier could receive millions of dollars.

Councilman Bob Henderson said he's thrilled with the bid. "We think we've got an excellent operation," Henderson said. "The economics are very good for the city." Henderson said that Matrix, has experience of drilling in this area and knows geology. Matrix runs an oil drilling operation in Sycamore Canyon.

But much remains to be done before Matrix can even get on the property, said City Manager Steve Helvey. "The lease doesn't give any authority to go onto proper until a conditional use permit is issued," Helvey said. "They must go through an environmental review. This starts the process." That is expected to take nine to 12 months, Helvey said.

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Whittier close to oil deal

Matrix submits lone bid to drill local hills

By Mike Sprague, Staff Writer

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WHITTIER - It looks like Matrix Oil Co. of Santa Barbara will be the city's oil-drilling partner. Matrix was the only company to submit a bid for the possible rights to drill for oil in the Whittier Hills.

The company proposed paying 30 percent royalties - higher than the 20 percent the city set as its minimum bid. "We think it's a fair bid," City Manager Steve Helvey said. "It's an aggressive bid because they know what they are getting into." The royalty amount is for the first $1.5 million in market price of oil produced. The percentage grows by 1.25 percent on each incremental $250,000 in market price up to a 50 percent royalty. Helvey said it is not a problem that only one company bid for the lease. "We've hired consultants to define a fair deal," he said. "We think the

proposal we got was fair. It doesn't disturb us."

Matrix already has wells in what is called the West Whittier field near Honolulu Terrace. As part of its bid, the city received a check for $400,000 as an initial deposit to pay for city costs, including the environmental review that will be required.

But don't look for wells to be drilled any time soon, Helvey said. "Tomorrow's action doesn't mean that oil drilling will take place," Helvey said. "It just means we have a business partner." Once the bid is awarded, the next step will be for Matrix to seek a permit and then go through a full environment process, including a report. That process is expected to take nine to 12 months, Helvey said.

City officials have said they believe that it could be possible to drill in the hills without affecting wildlife and the open space. The same 1,300 acres of oil deposits could be developed from about three surface sites of two to three acres each, stated David Pelser, director of Public Works, in a written staff report. That's less than 1percent of the city's property. Mike McCaskey, vice president for Matrix, said he was surprised that no one else bid. "A lot of the other California companies are quite busy with their projects," McCaskey speculated on why no one else bid. "We have the most extensive database in this area." McCaskey said declining oil prices - they're now below $70 a barrel - didn't deter his company from bidding. When this process started, the price was more than $110 per barrel. "We certainly take a long view that oil prices will go dramatically up and down," he said. "They have in the 30 years I've been in the business."