

MINUTE ITEM

This Calendar Item No. 18
was approved as Minute Item
No. 18 by the State Lands
Commission by a vote of 3
to 0 at its 2/28/83
meeting.

CALENDAR ITEM

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ACTUAL REVENUES FOR THE
FIRST SIX MONTHS OF 1982-83
AND REVENUE ESTIMATES FOR
1982-83, 1983-84, 1984-85

Supplemental language to the 1981-82 Budget for the State of California affects Item 232, giving the following directive to the State Lands Commission:

"The State Lands Commission shall report semiannually to the Legislature and the Governor on its actual revenue during the past fiscal year, revenue to date in the current year, and estimated revenue in each of the next two years. For each major oil, gas or geothermal property or producing zone, the reports shall include production levels; prices; costs, taxes or payments deductible from gross revenue; and the percentage of net profits or royalty to the State. The report shall state important assumptions and discuss any factors which may significantly affect revenue for the next five years."

In compliance with this directive, the staff has prepared a report for these years as shown on the attached Exhibit "A".

AB 884: N/A.

EXHIBIT: a. Revenue Detail - Actual and Forecast.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUES FOR THE FIRST SIX MONTHS OF 1982-83, AND THE ESTIMATES FOR FUTURE YEARS, AND AUTHORIZE ITS PRESENTATION FOR THE STATE LANDS COMMISSION REVENUE REPORT TO THE STATE LEGISLATURE AND THE GOVERNOR.

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EXHIBIT "A"

ESTIMATED REVENUE

	<u>Actual Revenue</u> <u>82-83 FY</u> (July-Dec.)	<u>Est. Revenue</u> <u>1982-83 FY</u>	<u>Est. Revenue</u> <u>1983-84 FY</u>	<u>Est. Revenue</u> <u>1984-85 FY</u>
<u>Oil & Gas</u>				
Statewide	49,441,291	95,000,000	80,000,000	75,000,000
L.B. Operations Ch. 138/64)(a)	<u>164,899,359</u>	<u>365,000,000</u>	<u>220,000,000</u>	<u>210,000,000</u>
Total (Subject to Section 6217 PRC)	214,340,650	460,000,000	300,000,000	285,000,000
<u>Geothermal</u> (General Fund)	3,778,227	8,200,000	9,700,000	9,200,000

The revenue estimates are based on extrapolated oil and gas and geothermal production rates, prices, and operating costs. Applicable royalty percentages are adjusted for projected production rates. For net profits sharing contracts, expenditures are included for anticipated investment projects, increases in fluid production and injection rates, and the level of support activity.

Major assumptions are:

1. That crude oil prices, which have already declined by about \$2.00 per barrel since the first of the year, will decline another \$1.00 per barrel on July 1.
2. That operating cost will escalate excluding activity and gross fluid changes in the Long Beach Tidelands net profits contracts at 5 percent per year.
3. That facilities modification at Platform "Holly" will be done on a piecemeal basis rather than completely shutting in for 30 to 90 days. Production levels are projected to increase following facilities improvements during 4th Quarter 1983.
4. That the production rate decline on other oil and gas leases will be controlled by continued drilling as approved by the Commission.
5. That electrical-generating prices utilizing geothermal steam will remain at \$34.50 per megawatt with a 10 percent price reduction after one year.

(Added 2/28/83)

The factors that could have been the most significant impact on revenue in the next five years would be:

- A. Changes in future oil, gas and geothermal steam prices and the relationship between oil prices and costs in the Long Beach net profits contracts.
- B. Continued oil and gas exploration and development on statewide leased lands.
- C. Continued leasing including Point Conception bids to be received on August 15, 1983, and development of statewide lands with oil and gas resources potential.
- D. Continued leasing and development of statewide lands with geothermal resources potential.

(Added 2/28/83)

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