

MINUTE ITEM

This Calendar Item No. 19
was approved as Minute Item
No. 19 by the State Lands
Commission by a vote of 2
to 0 at its 2/23/84
meeting.

CALENDAR ITEM

19

2/23/84
W 5077
Page

ACTUAL REVENUES FOR THE
FIRST SIX MONTHS OF 1983-84
AND REVENUE ESTIMATES FOR
1983-84, 1984-85, 1985-86

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.

CALENDAR PAGE	<u>142</u>
MINUTE PAGE	<u>392</u>

CALENDAR ITEM NO. 19 (CONTD)

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUES FOR THE SIX MONTHS OF 1983-84, AND THE ESTIMATES FOR FUTURE YEARS, AND AUTHORIZE ITS PRESENTATION FOR THE STATE LANDS COMMISSION REVENUE REPORT TO THE STATE LEGISLATURE AND THE GOVERNOR.

CALENDAR PAGE	143
MINUTE PAGE	303

EXHIBIT "A"

ESTIMATED REVENUE

	<u>Actual Revenue</u> 1983-84 FY	<u>Est. Revenue</u> 1983-84 FY	<u>Est. Revenue</u> 1984-85 FY	<u>Est. Revenue</u> 1985-86 FY
<u>Oil and Gas</u>				
Statewide	41,065,580	83,000,000	85,000,000	80,000,000
L.B. Operations Ch.138/64(a)	148,584,674	287,000,000	290,000,000	285,000,000
Total (Subject to Section 6217 PRC)	189,650,254	370,000,000	375,000,000	365,000,000
<u>Geothermal</u> (General Fund)	5,535,568	9,500,000	10,000,000	11,000,000

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 will remain constant.
2. That operating costs will escalate excluding activity and gross fluid changes in the Long Beach Tidelands net profits contracts at five percent per year.
3. That the production rate on Platform "HOLLY" will continue at 9,000 BOPD. Production rates will be reduced by 18 percent per year beginning in early 1985 according to the Santa Barbara County Air Pollution Control District's schedule of permissible emissions for the facility.
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 relatively flat at about \$37 per megawatt.

(Added 2/22/84)

CALENDAR PAGE	144
MINUTE PAGE	394

Page 2
Exhibit "A"
Estimated Revenue

6. That a new gas discovery by Phillips on PRC 2933, Molino Offshore Gas Field, will yield approximately \$200,000/month additional royalty revenue beginning around the end of calendar year 1984.

The factors that could have 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. Resolution of gas handling and emissions problems on Platform "HOLLY".
- D. Continued leasing and development of Statewide lands with geothermal potential.
- E. Resolution of the Elk Hills indemnity problems so that royalties from either the Elk Hills parcels themselves or parcels acquired in lieu thereof are received by the State.
- F. Coal Oil Point Development (PRC 308-309) being placed on production.
- G. Leasing bonuses for State Tidelands Point Conception to Point Arguello.
- H. Leasing bonuses for State Tidelands Point Arguello to Point Sal.