

MINUTE ITEM

43
0
8/21/84

CALENDAR ITEM

A)
S) Statewide

43

08/21/84
W 5077
Pace

APPROVE THE REPORT COVERING ACTUAL REVENUE FOR 1983-84 AND REVENUE ESTIMATES FOR 1984-85, 1985-86 AND 1986-87

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 REVENUE FOR 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.

EXHIBIT "A"

ESTIMATED REVENUE

	<u>Actual Revenue</u> <u>1983-84 FY</u>	<u>Est. Revenue</u> <u>1984-85 FY</u>	<u>Est. Revenue</u> <u>1985-86 FY</u>	<u>Est. Revenue</u> <u>1986-87 FY</u>
<u>Oil and Gas</u>				
Statewide	93,297,680	105,000,000	100,000,000	90,000,000
L.B. Operations Ch. 138/64	290,796,887	335,000,000	315,000,000	300,000,000
Total (Subject to Section 6217 PRC)	384,094,567	440,000,000	415,000,000	390,000,000
<u>Geothermal</u> (General Fund)	11,718,226	12,000,000	12,000,000	12,000,000

The revenue estimates are based on extrapolated oil, gas and geothermal steam 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 used in revenue estimates will remain constant. Currently, worldwide crude oil prices are trending downward.
2. That operating costs, excluding activity and gross fluid changes, will escalate in the Long Beach Tidelands net profits contracts at five percent per year.
3. That retroactive payback adjustments resulting from Sixth Provisional Equity Area Assignments continue.
4. That the production rate on Platform "HOLLY" will remain constant at the calendar year 1983 rate.
5. That the production rate decline on other oil and gas leases will be controlled by continued drilling as approved by the Commission.
6. That electrical-generating prices utilizing geothermal steam will remain constant.

(REVISED 08/20/84)

7. That a new gas discovery by Phillips on PRC 2933, Molino Offshore Gas Field, will yield approximately \$200,000/month additional royalty revenue beginning in the calendar year 1985.

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. Changes in Equity Assignments for Tract 1 or Tract 2, Long Beach Unit.
- C. Continued oil and gas exploration and development on Statewide leased lands.
- D. Resolution of gas and gross fluid handling and emissions problems on Platform "HOLLY".
- E. Continued leasing and development of Statewide lands with geothermal potential.
- F. Additional geothermal electrical generating plants coming on line utilizing State steam.
- G. 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.
- H. Coal Oil Point Development (PRC 308-309) being placed on production.
- I. The leasing of State Tidelands from Point Conception to Point Arguello with attendant bonuses.
- J. The leasing of State Tidelands from Point Arguello to Point Sal with attendant bonuses.