

MINUTE ITEM

This Calendar Item No. 1
was approved as Minute Item
No. _____ by the State Lands
Commission by a vote of _____
to _____ at its _____
meeting.

CALENDAR ITEM

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UPDATED TIDELANDS OIL REVENUE

The Legislative Analyst's report on the Governor's 1986-87 Budget requests that the State Lands Commission provide to the Legislature, by April 15, 1986, an updated revenue estimate of tidelands oil revenues for the 1985-86 and 1986-87 fiscal years. The assumptions and methodology used in preparing the estimates are to be included with the revenue estimates.

The oil price is the major assumption in the preparation of these revenue estimates. For the 1985-86 revenue estimates, the actual oil prices through April 1986 were used. For the balance of this fiscal year and for 1986-87, an oil price of \$10-a-barrel was used, except for the high sulfur crude in the Eilwood Field where \$7-a-barrel was used. The April 1986 oil price for the 21⁰ Eilwood Field crude is \$7.45 a barrel and for Wilmington 17⁰ crude, \$10.35 a barrel. Because the recent rapid drop in oil prices started in February 1986, only partial adjustments in net profits costs are reflected in the 1985-86 revenues.

For the 1986-87 revenue estimates, the estimated expenditures in the net profits accounts for the Long Beach tidelands oil production have been reduced, reflecting the \$10-a-barrel oil price. Correspondingly, the reduction in oil rates from these cost-cutting measures is also reflected in the revenue estimates. Reductions in oil production from increased decline rates due to a lower level of pump changes and well work are reflected in the State-wide royalty lease forecasts. The tidelands oil revenue estimates for 1985-86 and 1986-87 are shown on Attachment "A".

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ATTACHMENT A

Extractive Development Revenue Forecast
April 14, 1986

<u>Oil and Gas</u>	<u>Estimated Revenue 1985-86 FY</u>	<u>Estimated Revenue 1986-87 FY</u>
Statewide	\$ 77,000,000	\$ 33,000,000
L B. Operations Chs 138/64	341,000,000	66,000,000
Total (Subject to Section 6217 PRC)	\$ 418,000,000	\$ 99,000,000