

MINUTE FROM
TOPIC: 35
DATE: 2/28/85
MEETING

CALENDAR ITEM

A Statewide
S Statewide

35

02/28/85
W 5077
Page

ACTUAL REVENUES FOR THE
FIRST SIX MONTHS OF 1984-85
AND REVENUE ESTIMATES FOR
1984-85, 1985-86, 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 REVENUES FOR THE SIX MONTHS OF 1984-85, 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	135
PAGE NO.	809

EXHIBIT "A"
ESTIMATED REVENUE

	<u>Actual Revenue</u> July-Dec 1984-85 FY	<u>Est. Revenue</u> 1984-85 FY	<u>Est. Revenue</u> 1985-86 FY	<u>Est. Revenue</u> 1986-87 FY
<u>Oil and Gas</u>				
Statewide	59,560,844	110,000,000	100,000,000	95,000,000
L.B. Operations Ch. 138/64	192,987,795	400,000,000	385,000,000	350,000,000
Total (Subject to Section 6217 PRC)	252,548,639	510,000,000	485,000,000	445,000,000
<u>Geothermal</u> (General Fund)	5,865,498	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. Recently, worldwide crude oil prices have declined due to oversupply and gravity differential adjustments favoring lower gravity crudes.
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 Interim Equity Area Assignments continue.
4. That the production rate on Platform "HOLLY" will remain constant at the calendar year 1984 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 essentially constant.

(ADDED 02/27/85)

CALCULATED PAGE	125
MINUTE PAGE	810

7. That a new gas discovery on PRC 2933, Molino Offshore Gas Field, will yield approximately \$200,000/month additional royalty revenue beginning in mid 1985. Additional gas production from PRC 2920 should occur in 1986.

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. Resolution of gas and gross fluid handling and emissions problems on PRC 3120 and PRC 3224, Platform "HOLLY".
- D. Coal Oil Point Development, PRC 308-309 being placed on production.
- E. Development plans being completed for PRC 2879, Coho Field, and the project being placed on production.
- F. Development plans being completed for PRC 2920, Molino Monterey, and the project being placed on production.
- G. Development Plans being completed for PRC 3120 and PRC 208, Embarcadero, and the project being placed on production.
- H. Leasing of quit-claim parcels, Santa Barbara County offshore, and successful exploration on those leases.
- I. Continued oil and gas exploration, discoveries and development on Statewide leased lands.
- J. The leasing of State Tidelands from Point Conception to Point Arguello with attendant bonuses, successful exploration and discoveries, and development of known resources resulting from offsetting discoveries on the federal OCS.
- K. The leasing of State Tidelands from Point Arguello to Point Sal with attendant bonuses, successful exploration and discoveries.
- L. Continued leasing and development of Statewide lands with geothermal potential.
- M. Additional geothermal electrical generating plants coming on line utilizing State steam.
- N. 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.

(ADDED 02/27/85)

CALIFORNIA STATE	4361
MINUTE FILE	811