MINUTE ITEM

This Calendar Item No. 36 was approved as Minute Item No. 36 by the State Lands Commission by a vote of 3 to 0 at its 3-5-81 meeting.

CALENDAR ITEM

2/81
Thompson
Pace
W 5077

36

ACTUAL REVENUE FOR 1979-80 AND REVENUE ESTIMATES FOR 1980-81, 1981-82, 1982-83

Supplemental language to the 1980-81 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".

EXHIBIT: A. Revenue Detail - Actual and Forecast.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUE FOR 1979-80 AND THE ESTIMATES FOR FUTURE YEARS AND AUTHORIZE ITS PRESENTATION FOR THE STATE LANDS COMMISSION REVENUE REPORT TO THE STATE LEGISLATURE AND THE GOVERNOR.

A 57, 58

S 27, 31

(Non-substantive revision 3/26/82)

EXHIBIT "A"

Estimated Revenue

	Actual Revenue 1979-80 FY	Actual Six Months 1980-81	Revised Estimated Revenue 1980-81	1981-82	1982-83
L.B. Operations	$250,262,000	$184,980,000	$390,000,000	$410,000,000	$4[illegible],000,000
Statewide (Incl. Tract 2)	56,935,000	39,251,000	90,000,000	140,000,000	160,000,000
Geothermal	4,401,000	2,340,100	5,760,000	7,370,000	9,830,000

These 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 uncontrolled crude oil prices include the January 1981 iincrease but will not increase during the remainder of the 1980-81 year. Price escalation was started at the first of the 1981-82 year and resulted in a 10% increase by the end of each year.

2. That in the Long Beach Tidelands a legal resolution will not become final on the issue as to whether expenditures of approximately $20,000,000 by the City of Long Beach to fill purchased land may be reimbursed as subsidence cost during this two-year period.

3. That in the Long Beach Tidelands net profits contracts the operating cost will escalate at 10% per year.

4. That production rates at Platform Holly (Leases PRC 3120 and 3242, South Ellwood Field) from the Monterey Zone will increase through the remainder of the 1980-81 year as production facilities capacity is increased, and that production will be shut in for 60 days in July-August 1981 to finally improve and complete facilities upgrade with production rates peaking thereafter limited only by emission standards.

(Rev, 3/11/81)

5. That production rate decline on other developed Statewide oil and gas leases will be controlled by continued drilling from locations cleared by the Commission.

6. That electrical generation prices utilizing geothermal steam will escalate to 25 mills/Kw in 1981.

7. That electrical generation prices utilizing geothermal steam will escalate to 30 mills/Kw in 1982.

8. That electrical generation prices utilizing geothermal steam will be escalated at 10% per year thereafter.

9. That electrical generating unit no. 17 at the Geysers Geothermal Field will come on line in August 1982.

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 price increases and cost inflation in the Long Beach net profits contracts.

B. Application of windfall profit tax provisions to State and local governmental agencies in the Long Beach net profits contracts.

C. Resolution of the subsidence cost reimbursement issue with the City of Long Beach as to the filling of purchased lands.

D. Determination of the legality of present Los Angeles County mining rights assessment practices.

E. Continued oil and gas exploration and development on Statewide leased lands.

F. Continued leasing and development of Statewide lands with oil and gas resources potential.

G. Continued leasing and development of Statewide lands with geothermal resources potential.