

MINUTE ITEM

This Calendar Item No. 45
was approved as Minute Item
No. 45 by the State Lands
Commission by a vote of 2
to 0 at its 2/25/82
meeting.

MINUTE ITEM
45

2/25/82
W 5077
Trout

ACTUAL REVENUES FOR THE
FIRST SIX MONTHS OF 1981-82,
AND REVENUE ESTIMATES FOR
1981-82, 1982-83, 1983-84

During consideration of Calendar Item 45, attached, the Commission urged staff to transmit the Revenue Report to the Legislature at the earliest possible time. Claire Dedrick, Executive Officer, assured the Commission that this was staff's intention.

In the interim, Commission directed staff to immediately transmit the revenue figures to the two fiscal committees of the Legislature (Assembly Ways and Means; Senate Finance Committee), indicating the detailed report would follow.

There being no further discussion, the recommendation in Calendar Item 45 was approved as presented.

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CALENDAR ITEM

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ACTUAL REVENUES FOR THE
FIRST SIX MONTHS OF 1981-82,
AND REVENUE ESTIMATES FOR
1981-82, 1982-83, 1983-84

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".

AR 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 FIRST SIX MONTHS OF 1981-82, AND THE ESTIMATES FOR FUTURE YEARS, AND AUTHORIZE ITS PRESENTATION FOR THE STATE LANDS COMMISSION REVENUE REPORT TO THE STATE LEGISLATURE AND THE GOVERNOR.

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(Revised 2/24/82)

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EXHIBIT "A"

ESTIMATED REVENUE

	Actual Revenue (\$1000) 1981-82 FY <u>1st 6 Months</u>	Estimated Revenue (\$1000) <u>1981-82 1982-83 1983-84</u>		
<u>Oil & Gas</u>				
L.B. Operations	\$209,002	\$370,000	\$315,000	\$300,000
Statewide (Incl. Tract 2)	<u>\$ 58,591</u>	<u>\$100,000</u>	<u>\$135,000</u>	<u>\$130,000</u>
Total (Subject to Section 6217 PRC)	\$267,593	\$470,000	\$450,000	\$430,000
<u>Geothermal</u>				
(General Fund)	\$ 3,401	\$ 7,000	\$ 9,000	\$ 10,000

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. Crude oil prices have declined in the current fiscal year and further small decreases are anticipated.
2. That the operating cost will escalate at 10% per year in the Long Beach Tidelands net profits contracts.
3. That production at Platform Holly (Leases PRC 3120 and 3242, South Ellwood Field) will be shut in for 90 days from April to mid-July 1982 to upgrade facilities. Production rates will peak thereafter and be limited by emission standards.
4. That production rate decline on other developed Statewide oil and gas leases will be controlled by continued drilling from locations cleared by the Commission.
5. That electrical generating unit no. 17 at the Geysers Geothermal Field will come on line in August 1982.

(Adopted 2/24/82)

EXHIBIT "B"

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6. That electrical generation prices utilizing geothermal steam will remain at a current level of 30 mills/Kw for the term of the projection.

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. Changes in the application of windfall profit tax provisions to State and local government agencies in the Long Beach net profits contracts.
- C. Final determination on Rule 468 relative to the Los Angeles County mining rights assessment practices.
- D. Continued oil and gas exploration and development on Statewide leased lands.
- E. The leasing of additional Statewide lands with the potential for development of oil and gas resources.
- F. The leasing and development of additional Statewide lands with geothermal resources potential.

(Added 2/24/82)

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