

MINUTE ITEM

This Calendar Item No. 38  
was approved as Minute item  
No. 38 by the State Lands  
Commission by a vote of 3  
to 0 at its 8/26/82  
meeting.

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38

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W 5077  
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APPROVE THE REPORT COVERING  
ACTUAL REVENUE FOR 1981-82  
AND REVENUE ESTIMATES FOR  
1982-83, 1983-84 AND 1984-85

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 semi-annually 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.

A 57, 58

S 27, 31

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUE FOR 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.

EXHIBIT "A"

ESTIMATED REVENUE

	<u>Actual Revenue 1981-82 FY</u>	<u>Est. Revenue 1982-83 FY</u>	<u>Est. Revenue 1983-84 FY</u>	<u>Est. Revenue 1984-85 FY</u>
<u>Oil &amp; Gas</u>				
Tracts 2, 11, 8 & 39(a)	12,800,139	10,000,000	10,000,000	10,000,000
Other	100,352,418	110,000,000	110,000,000	100,000,000
L.B. Operations Ch. 138/64) (a)	<u>349,206,476</u>	<u>230,000,000</u>	<u>230,000,000</u>	<u>210,000,000</u>
Total (Subject to Section 6217 PRC)	462,359,033	370,000,000	350,000,000	320,000,000
<u>Geothermal (General Fund)</u>	6,364,341	8,600,000	9,700,000	9,700,000

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 crude oil prices will remain at current levels throughout the period of the projection.
2. That operating cost will escalate in the Long Beach Tidelands net profits contracts at 10% per year.
3. That facilities modification at Platform "Holly" will be done on a piecemeal basis rather than completely shutting in for 90 days. Production levels are projected to increase following facilities improvements but limited by emissions standards.
4. That the production rate decline on other oil and gas leases will be controlled by continued drilling from locations cleared by the Commission.
5. That electrical-generating prices utilizing geothermal steam will remain at \$50 per Megawatt. And that electrical-generating Unit No. 17 at the Geysers Geothermal Area will come on line in January, 1983.

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

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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. Determination of the legality of present Los Angeles County mining rights assessment practices.
- D. Continued oil and gas exploration and development on State-wide leased lands.
- E. Continued leasing and development of Statewide lands with oil and gas resources potential
- F. Continued leasing and development of Statewide lands with geothermal resources potential.

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