

MINUTE ITEM

This Calendar Item No. 27
was approved as Minute Item
No. 27 by the State Lands
Commission by a vote of 2
to 0 at its 8/25/83
meeting.

CALENDAR ITEM

24

8/25/83
W 5077
Pace

APPROVE THE REPORT COVERING ACTUAL
REVENUE FOR 1982-83 AND REVENUE ESTIMATES FOR
1983-84, 1984-85 AND 1985-86

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.

A 57, 58

S 27, 31

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CALENDAR ITEM NO. (CONTD)

EXHIBIT: A. Revenue Detail - Actual and Forecast.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUE FOR 1982-83 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</u> <u>1982-83 FY</u>	<u>Est. Revenue</u> <u>1983-84 FY</u>	<u>Est. Revenue</u> <u>1984-85 FY</u>	<u>Est. Revenue</u> <u>1985-86 FY</u>
<u>Oil & Gas</u>				
Statewide	\$ 95,283,139	\$ 85,000,000	\$ 85,000,000	\$ 75,000,000
L.B. Operations Ch. 128/64 (a)	<u>\$357,681,920</u>	<u>\$275,000,000</u>	<u>\$275,000,000</u>	<u>\$250,000,000</u>
Total (Subject to Section 6217 PRC)	\$452,964,059	\$360,000,000	\$560,000,000	\$325,000,000
<u>Geothermal</u>				
(General Fund)	\$ 7,230,788	\$ 9,100,000	\$ 10,200,000	\$ 11,300,000

The 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 constant due to the anticipation of stable world oil prices.
2. That operating cost will escalate excluding activity and gross fluid changes in the Long Beach Tidelands net profits contracts at five percent per year.
3. That the production rate on Platform "HOLLY" will reach 11,000 BOPD following facilities modifications performed in August 1983. Production rates will be reduced by 18 percent per year beginning in early 1985 according to the Santa Barbara County Air Pollution Control District's schedule of permissible emissions for the facility.
4. That the production rate decline on other oil and gas leases will be controlled by continued drilling as approved by the Commission.
5. That electrical-generating prices utilizing geothermal steam will remain at \$36.54 per Megawatt.

(Added 8/24/83)

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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 production steam prices and the relationship between oil prices and costs in the Long Beach net profits contracts.
- B. Continued oil and gas exploration and development on Statewide leased lands.
- C. Resolution of gas handling and emissions problems on Platform "HOLLY".
- D. Continued leasing and developing of Statewide lands with geothermal resources potential.
- E. 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 8/24/83)

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