

MINUTE ITEM

This Calendar Item No. 31  
was approved by Minute Item  
No. 27 by the State Lands  
Commission by a vote of 2  
to 0 at its 12/23/86  
meeting.

CALENDAR ITEM

31

- A )  
 ) Statewide  
5 )

12/23/86  
W 11062  
W 5077  
Pace

UPDATED REVENUE ESTIMATES

The Commission in the November 20, 1986 meeting directed the staff to prepare an update of the August, 1986 semi-annual revenue estimates for 1986-87 and 1987-88. The estimates made in August were conservative because of major uncertainties in: oil prices; the implementation of proposed budget expenditures reductions in the Long Beach Unit; and the potential of drastic curtailment or suspension of operations in statewide leases.

At that time, crude oil prices had hit a ten-year low with a drop in a few months period many times greater in magnitude than ever experienced before. A major expenditure reduction program in the Long Beach Unit was just being implemented and operators of statewide royalty leases had indicated serious consideration of shutting in of or sharply curtailing production.

Crude oil prices have rebounded from the August range of \$5.75 - \$8.00 back to the \$8 - \$10 range that existed in June and July, 1986 with indications of price stability at the present level. The expenditures in the various programs of the Long Beach Unit have been reduced to the projected levels. There were only a few short time production shut-ins on Statewide leases at the bottom of the oil pricing drop and the loss of production for 1986-87 due to reduced expenditures by the lessees on those leases is within the range anticipated in August.

Based on these more favorable trends, the revenue estimates are being revised upward. For the balance of 1986-87, the present crude oil prices of \$7.00 for Ellwood 21° gravity crude and \$10.00 for 17° gravity crude for the Los Angeles basin have been used. Those oil prices are assumed to continue flat during the 1987-88 year.

CALENDAR ITEM NO. 31 (CONT'D)

The August, 1986 and revised revenue estimates are shown on Attachment "A".

The OPEC meetings that have just concluded resulted in an oil-pricing strategy for them, which, if successful, would increase domestic oil prices. This would result in higher revenue estimates than shown on Attachment A, especially for the 1987-88 fiscal year. Increases for that year, in the range of \$20-40 million, are definite possibilities. Changes in domestic oil-pricing patterns should be established by the time the February 1987 revenue forecast is made.

EXHIBIT:           A. Revised Revenue Estimates.

(REVISED 12/22/86)

-2-

CALENDAR PAGE	219
MINUTE PAGE	4177

**ATTACHMENT A**

	Est. Revenue 1986-87 FY		Est. Revenue 1987-88 FY	
	<u>Aug</u>	<u>Dec</u>	<u>Aug</u>	<u>Dec</u>
Oil and Gas				
Statewide	\$ 25,000,000	\$ 30,000,000	\$ 25,000,000	\$ 25,000,000
L.B. Operations Ch. 138/64	<u>57,000,000</u>	<u>110,000,000</u>	<u>64,000,000</u>	<u>95,000,000</u>
Total (subject to Section 6217 PRC)	\$ 82,000,000	\$ 140,000,000	\$ 89,000,000	\$ 120,000,000
Geothermal	\$ 8,300,000	\$ 7,500,000	\$ 5,700,000	\$ 5,600,000

(ADDED 12/22/86)