MINUTE ITEM
This Calendar Item No. 28
was approved as Minute Item
No. 28 by the State Lands
Commission by a vote of 3
to 0 at its 8-20-87
meeting

CALENDAR ITEM

28

A)
) Statewide
S)

08/20/87
W 5077
Pace

ACTUAL REVENUES FOR THE FISCAL YEAR 1986-87
AND REVENUES ESTIMATED FOR 1987-88 AND 1988-89

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 revenues 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.

IT IS RECOMMENDED THAT THE COMMISSION:

1. APPROVE THE REPORT COVERING ACTUAL REVENUES FOR THE FISCAL YEAR 1986-87, 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

	Actual Revenue 1986-87 FY	Est. Revenue 1987-88 FY	Est. Revenue 1988-89 FY
Oil and Gas			
Statewide	$ 39,328,000	$ 50,000,000	$ 35,000,000
L.B. Operations Ch. 138/64	$131,830,000	$200,000,000	$160,000,000
Total (Subject to Section 6217 PRC)	$171,158,000	$250,000,000	$195,000,000
Geothermal	$ 7,228,000	$ 5,400,000	$ 5,500,000

The revenue estimates are based on extrapolated oil, gas and geothermal steam 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, fluid production and injection rates and level of support activity. Included in the 1987-88 revenue estimate are $26 million of refunds and interest recovered in July, 1987 because of the State and City of Long Beach winning the Long Beach Unit Field Contractor's Windfall Profit Tax net profit contract case. There will be follow-up suits in the other Long Beach tidelands net profits contracts with potential additional revenues of $10 million in 1987-88 or 1988-89.

Major assumptions are:

1. That crude oil prices used for the next two fiscal years are adjusted for each lease from a Wilmington Field posted price of $15.75 per bbl. for 17° API crude, except for Elwood Field crude where the posting for 22° crude is $12.50. A $0.15 per degree gravity differential was used in the adjustment. Crude oil pricing will probably be unstable during the near short term so crude prices have been held constant during the estimate period. The actual average crude price for State royalty and net profit oil in 1986-87 was $11.05 per barrel compared to the average of $15.65 per barrel used for the 1987-88 estimate.

2. That the Long Beach Unit Eighth Interim Area Assignments of July 1, 1987 are used for Tract 1 and 2 during the period since the future equity percentage changes can not be predicted.

(ADDED 08/18/87)

3. That prices for The Geysers Geothermal Field steam sold under PG&E contracts will decline under the steam sales provisions due to declining fossil fuel prices and to a greater share of PG&E's power being generated with nuclear fuel.

4. That PRC 5217 in The Geysers Geothermal Field will be placed on production in 1988-89 with payment of steam sales royalties.

5. That projected revenue from the sale of royalty oil to the highest bidder uses current or actual future bonuses over the posted price on existing sell-off contracts.

6. Long Beach Operations revenues do not reflect any Long Beach Unit expenditures for the construction of an electrical cogeneration facility or any reduced power rates from such a facility.

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; the relationship between oil prices and costs in the Long Beach net-profits contracts; and steam prices and costs in the geothermal net profits contracts.

B. State Lands Commission policy as to Coal Oil Point Development, PRC 208, PRC 308-309, PRC 3120 and PRC 3242.

C. State Lands Commission policy as to the development plans for the Molino Hercules Project, PRC 2920.

D. State Lands Commission policy as to the development plans for Cojo Field, PRC 2879.

E. State Lands Commission policy on oil and gas exploration and development on offshore leased lands which currently are not producing.

F. State Lands Commission policy as to the leasing of quit-claim parcels offshore Santa Barbara and Ventura Counties, and successful exploration on those leases. The leasing EIR could be certified in late 1987.

G. State Lands Commission policy on the development of known resources resulting from offsetting discoveries in the Federal OCS of oil fields that extend under state lands.

(ADDED 08/17/87)