



# **City of Seal Beach**

## **Oil & Gas Tax Analysis**

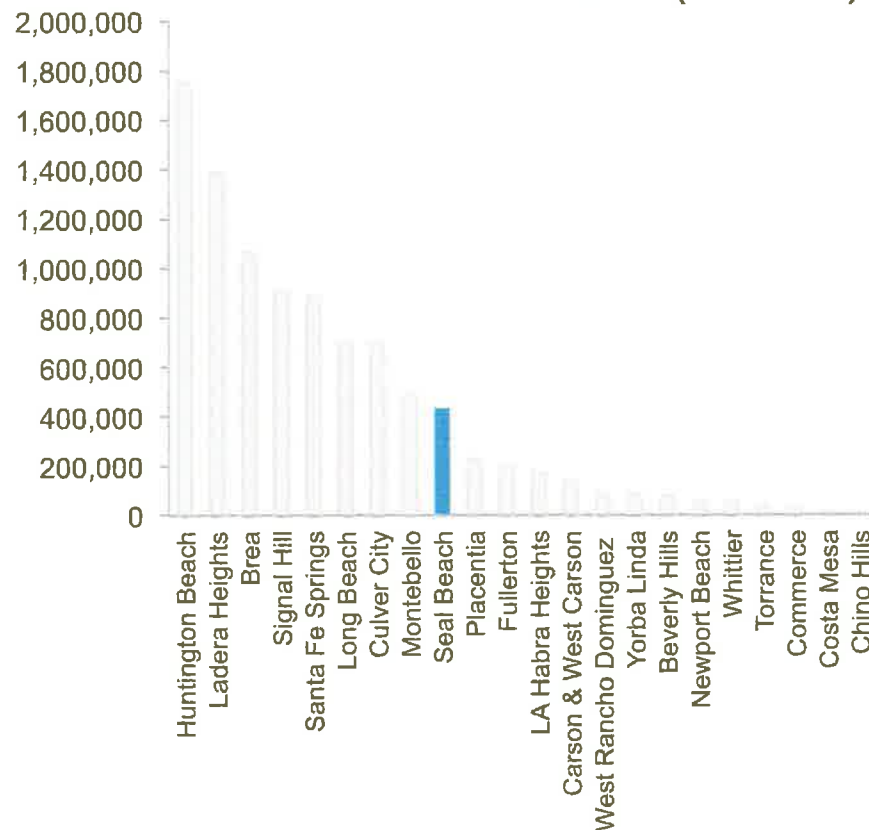
Municipal Petroleum Analyst

*To fund municipal services and general improvements through the responsible management of its mineral resources, the City of Seal Beach is evaluating the tax it collects on oil & gas production in the City*

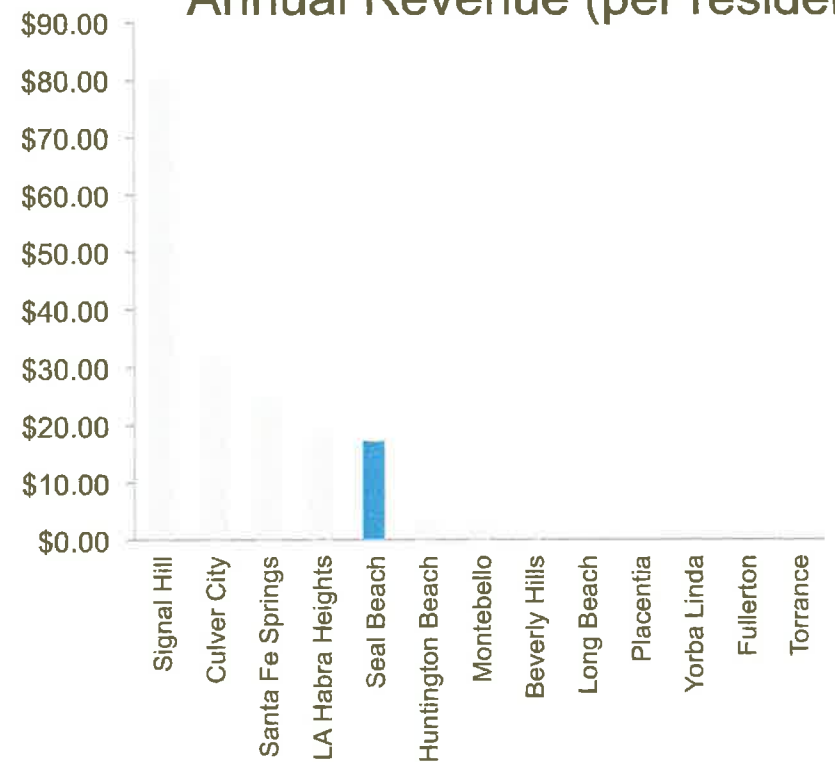
# SoCal Oil Producing Cities\*

Seal Beach: 9<sup>th</sup> Largest Producer & 5<sup>th</sup> Most “Profitable”

Annual Production (barrels)



Annual Revenue (per resident)



# Seal Beach Oil Production

Active Oil Field Since 1927



**3 Oil Producers in City Limits**

**67 Producing Wells**

**37,000 Barrels of Oil Per Month**

**18,000 Mcf of Gas Per Month**

**10 Wells Produce 50% of Oil**

**59% of Oil Produced Offshore**

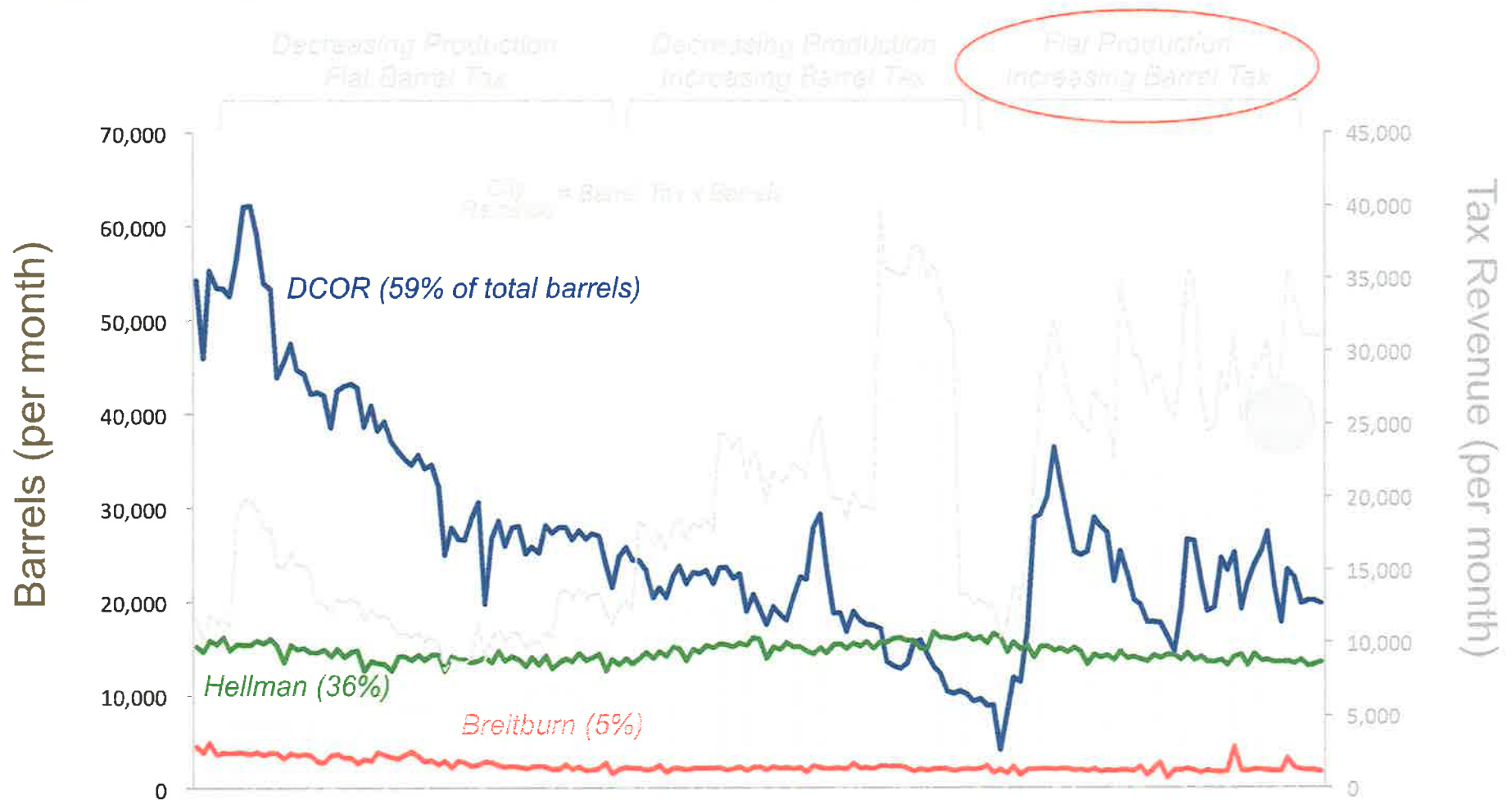
# Seal Beach: Oil Production Tax

- Oil tax is codified in SBMC 5.55
- Mandates fees on “any well located in the City”:
  - \$150 per producing well (“annual base tax”), *plus*
  - \$30 per producing well (“annual permit fee”), *plus*
  - \$0.205 per barrel of oil produced (“per-barrel tax”)\*



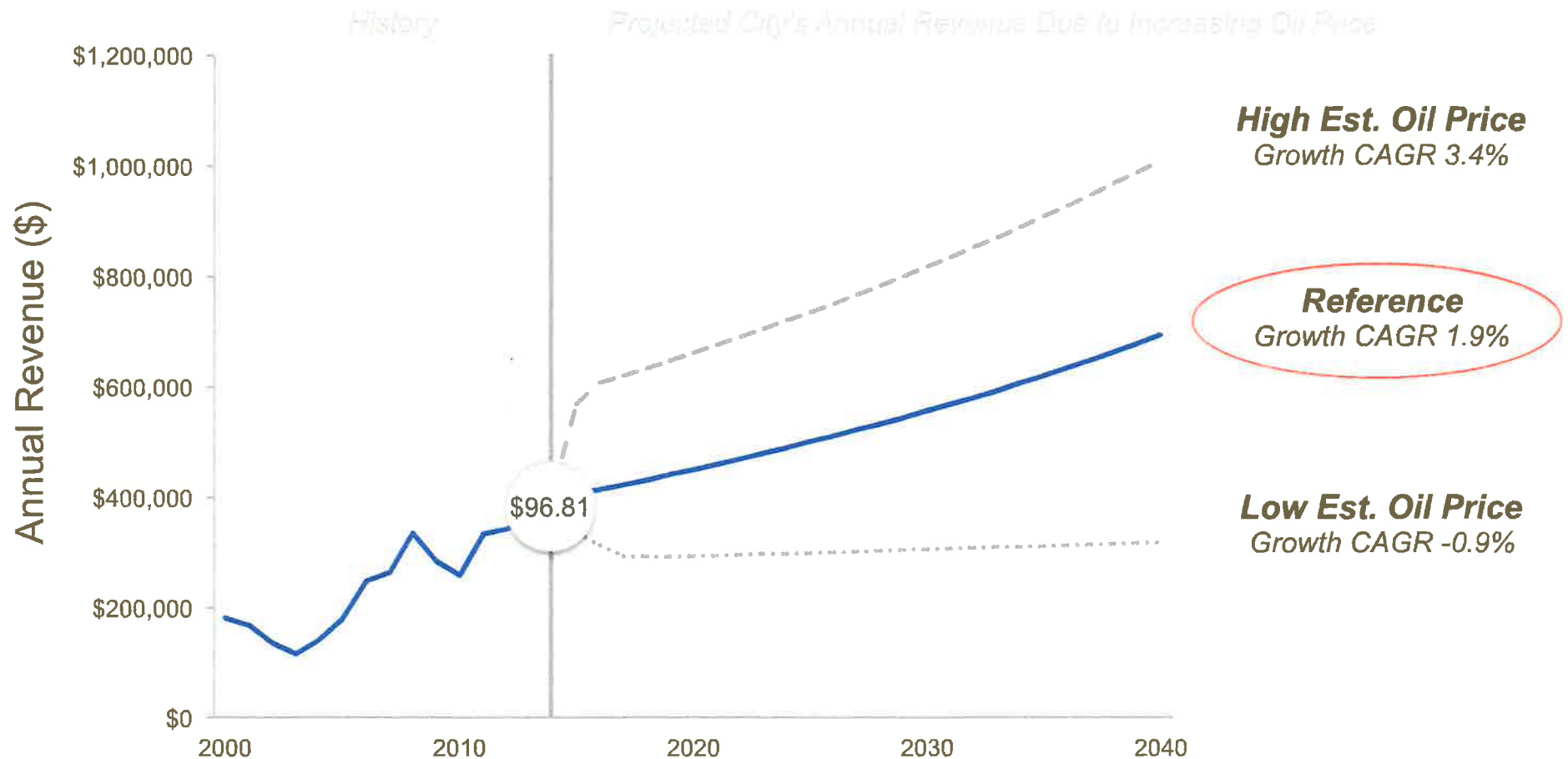
# Trends: Oil Production & Revenue

Seal Beach Production, Revenue, and Barrel Tax 2000-2014



# Projections: Seal Beach Revenue

Assumes Flat Production



# Options

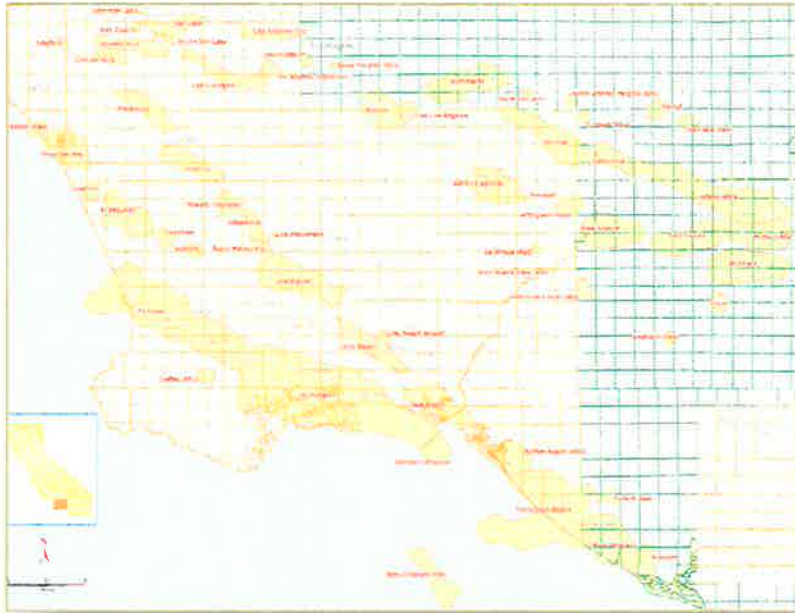
## Methods to Increase City's Revenue from Existing Wells

- A. Increase Existing Per-Barrel Tax Rate
- B. Implement Natural Gas Tax
- C. Change Tax Rate Methodology
- D. Increase Well Tax
- E. Increase Permit Fee
- F. Alternatives

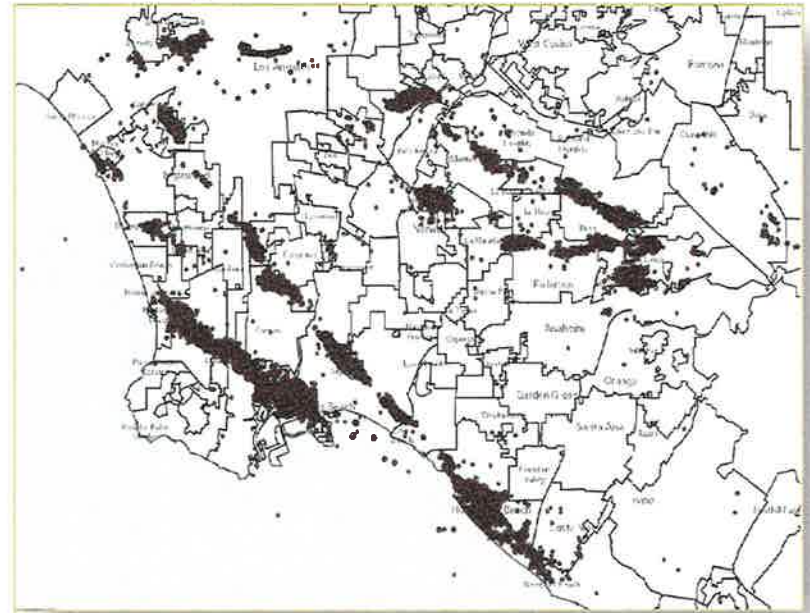


# Increase Per-Barrel Tax

Identify SoCal Oil Fields



Identify Producing Wells



Identify Oil Producing Cities

Beverly Hills  
Brea  
Carson  
Chino Hills  
Commerce

Costa Mesa  
Culver City  
Fullerton  
Huntington Beach  
Inglewood

Madeira Heights  
LA Habra Heights  
La Mirada  
Long Beach  
Los Angeles

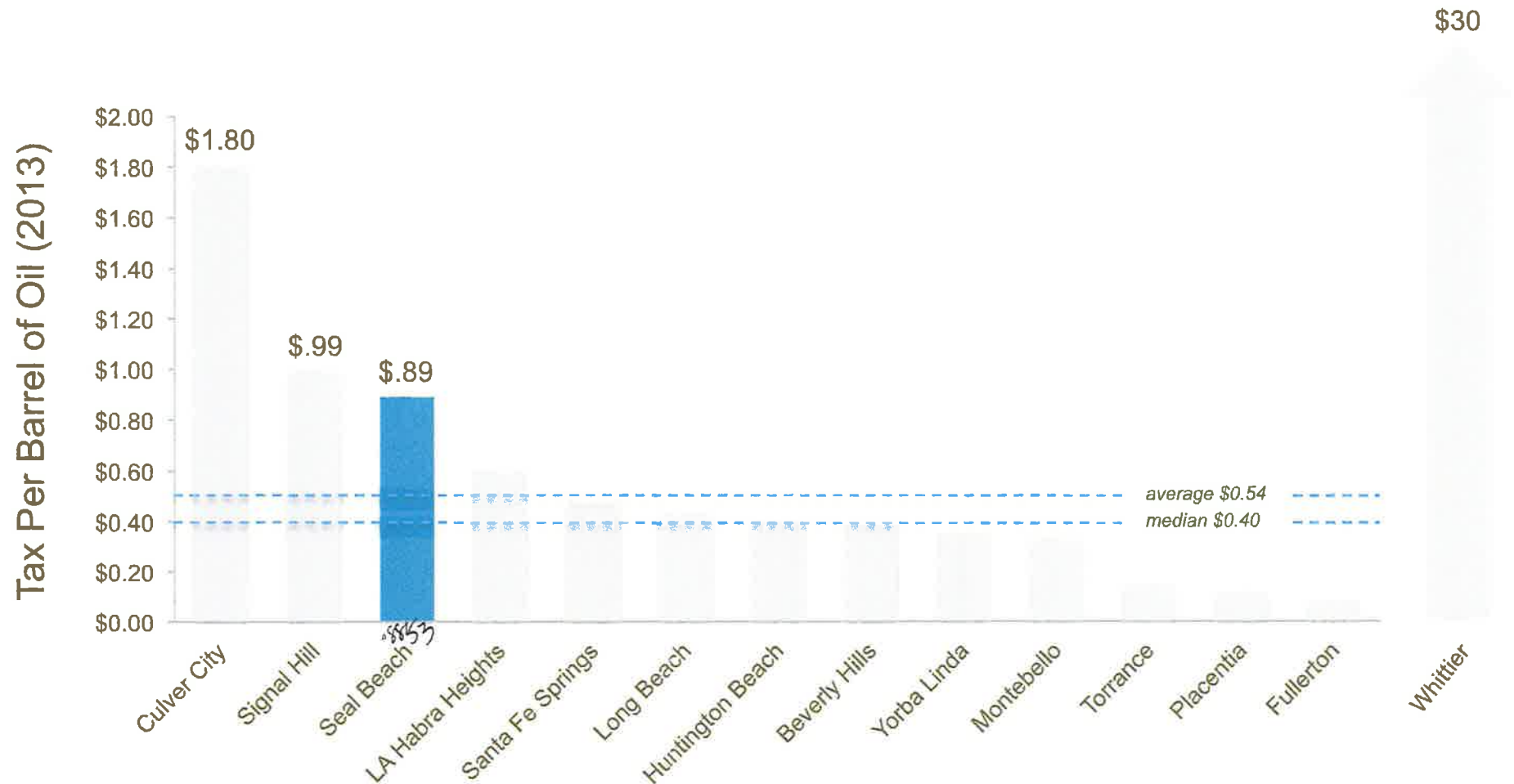
Montebello  
Monterey Park  
Newport Beach  
Placentia  
Redondo Beach

Rowland Heights  
Santa Fe Springs  
Seal Beach  
Signal Hill  
Torrance

Rancho Dominguez  
Whittier  
Yorba Linda

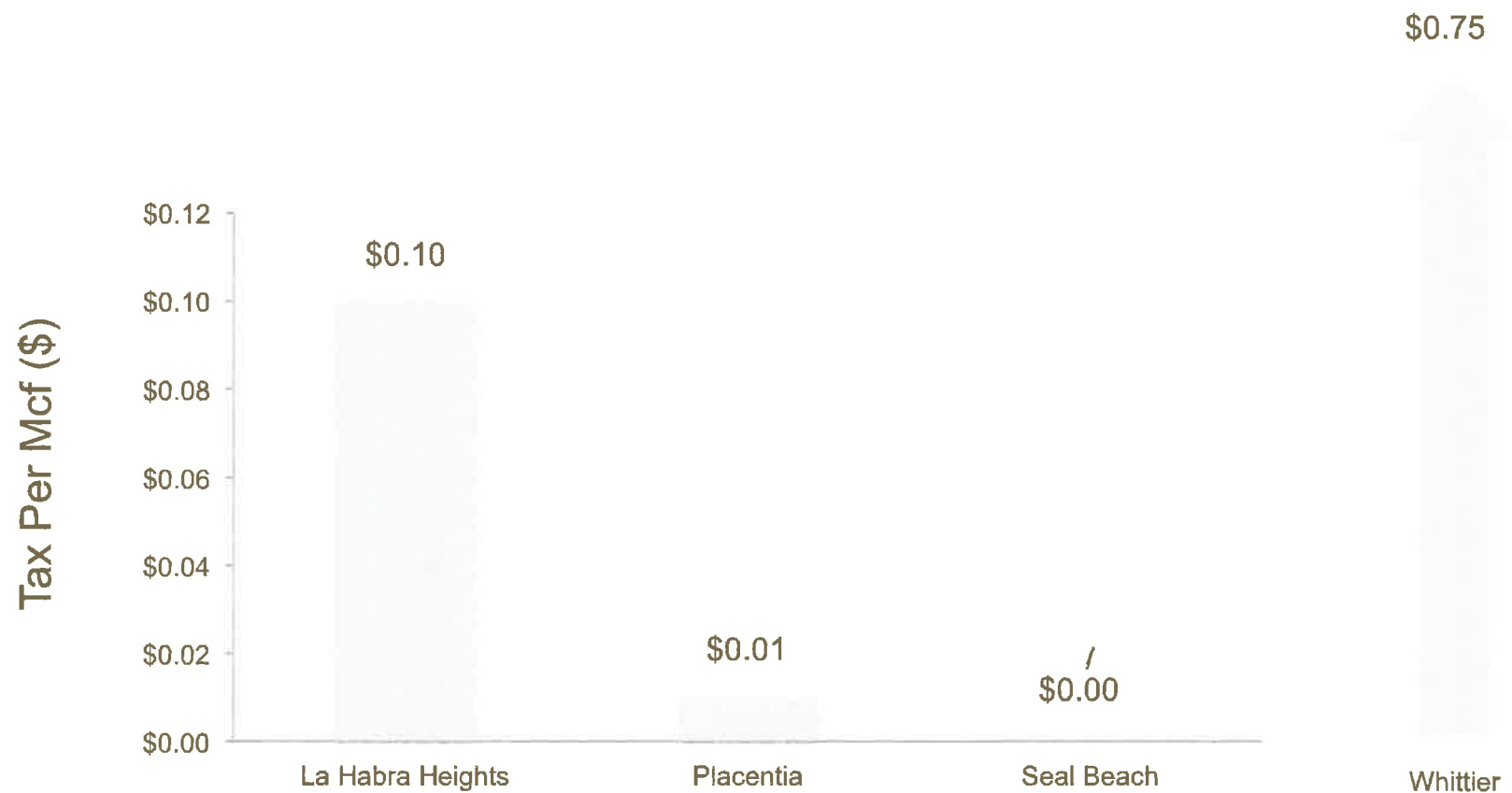
# Barrel Tax Benchmark

## SoCal Cities That Impose Per-Barrel Oil Tax



# Natural Gas Benchmark

Few Municipalities Impose Gas Tax



# Change Tax Calculation

Cities / States Prefer Different Taxing Methodologies

## Volume Produced

Seal Beach	\$0.89
Signal Hill	\$0.99
Long Beach	\$0.43

## Market Value

Alabama	2.0%
Idaho	2.5%
Illinois	3.0%
Kansas	8.0%
Kentucky	4.5%
Michigan	6.6%
Mississippi	6.0%

## Gross Income

Colorado	5.0%
Illinois	6.0%

# Alternative Means

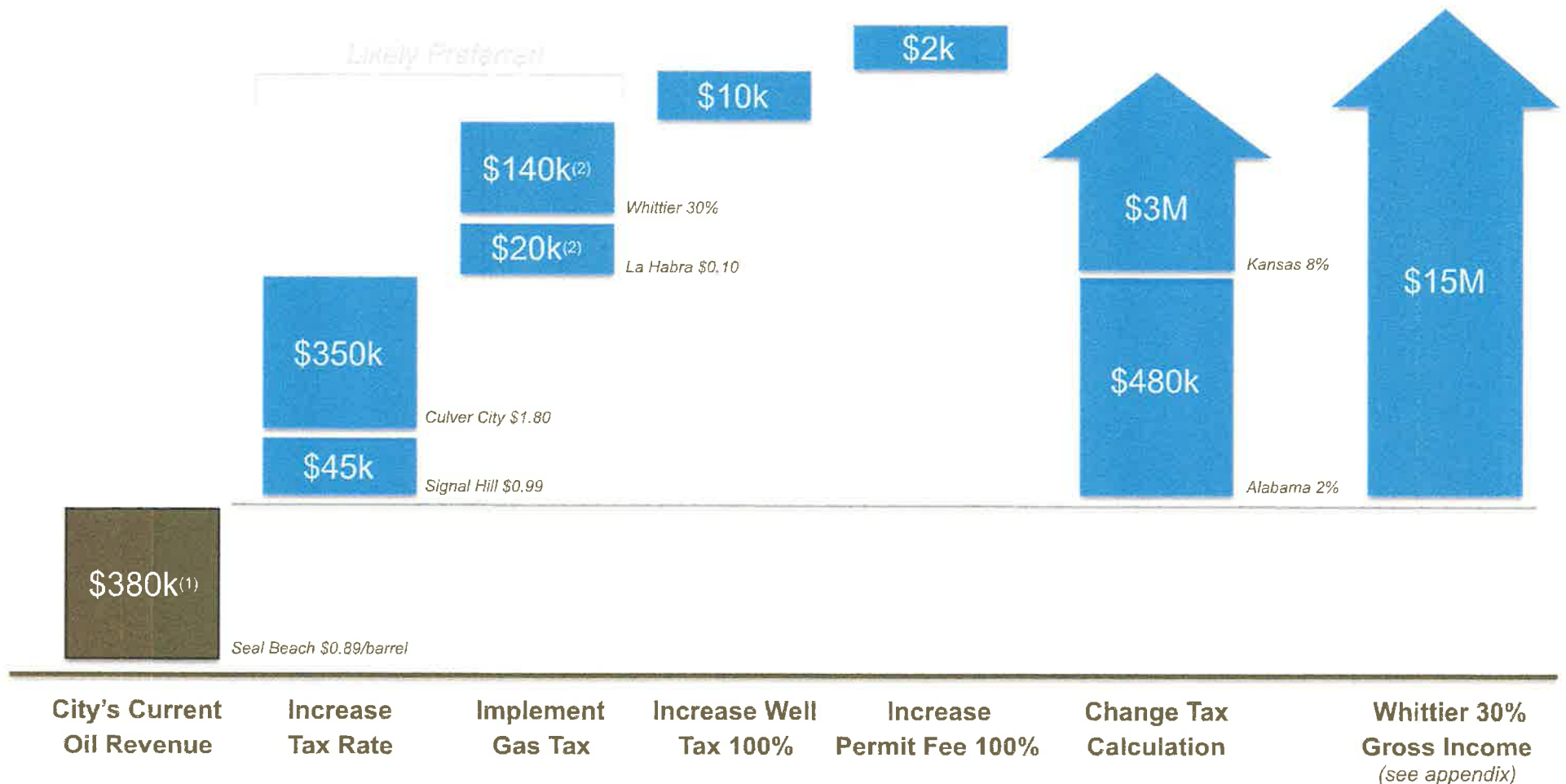
Non Traditional Methods to Increase City's Revenue

- Encourage Donations
- Targeted Tax Credits
- Project Specific Public-Private Partnerships



# Summary: Revenue Impact

## Methods to Increase City's Revenue from Existing Wells



# Appendix

# Barrel Tax by Profitability

Seal Beach: \$17.25/Resident

City	Oil Revenue per Resident	Seal Beach Equivalent Barrel Tax
Signal Hill	\$80.37	4.15
Culver City	\$32.03	1.65
Santa Fe Springs	\$24.89	1.28
LA Habra Heights	\$19.19	0.99
Huntington Beach	\$3.60	0.19
Montebello	\$2.58	0.13
Beverly Hills	\$0.89	0.05
Long Beach	\$0.65	0.03
Placentia	\$0.54	0.03
Yorba Linda	\$0.45	0.02
Fullerton	\$0.11	0.01
Torrance	\$0.04	0.00

# Whittier Main Field Project

- 2014 Re-Opening of Main Oil Field
- City Owned Native Habitat Reserve
- 2008 Winning Bid - Matrix Oil
- Oil & Gas Tax = **30%** Gross Income!





# Barrel Tax Legislative Activity

City	Measure	Ballot	Tax	Pass / Fail
Los Angeles	Prop O	March 2011	\$1.44 per barrel	Fail (48% Yes)
Long Beach	Prop H	May 2007	\$0.25 per barrel	Pass (70% Yes)
Beverly Hills	Measure BH-O	May 2007	2.5% of gross	Fail (44% Yes)
Signal Hill	Measure U	June 2014	2/3 vote to increase tax	
La Habra Heights	Measure B	March 2013	\$0.60 per barrel	Pass (51% Yes)
Santa Fe Springs	Measure S	Nov 2013	\$0.47 per barrel	Pass (73% Yes)
CA Senate Bill 1017			9.5% tax on oil 3.5% tax on gas	Attempted Each year for last 10 years



# **City of Seal Beach**

## **Oil Revenue Analysis**

**Municipal Petroleum Analyst**

## Scope of Work

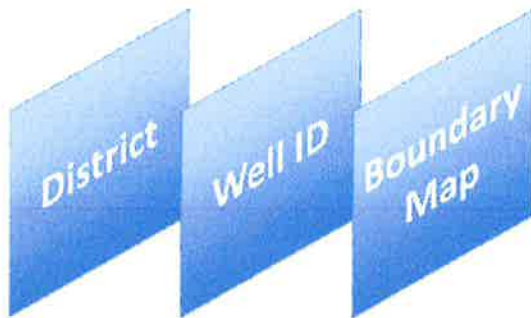
Phase	MPA Task	Status
1	Evaluate In-City Oil Production Tax	X
2	Evaluate Out-of-City Oil Production	
3	Evaluate Non-Production Activities	
4	Estimate City's Potential Future Revenues	
5	Benchmark City's Oil & Gas Revenues	
6	Findings & Recommendations	
7	Build & Maintain Industry Relationships	

## Oil Production Tax

- Oil production tax is codified in SBMC 5.55
- Mandates fees on “any well located in the City”:
  - \$150 per producing well (“annual base tax”), *plus*
  - \$30 per producing well (“annual permit fee”), *plus*
  - **\$0.205 per barrel of oil produced**
    - *no less than \$0.1250*
    - *adjusted for inflation (Producer Price Index)*
    - *\$0.8853 FY 2013/14*

# Analysis Approach

## Well Identification (DOGGR Screens)



*District 1*  
32,502 Wells

*Well Type (oil, gas)*  
*Status (active, plugged)*  
*County (Orange)*  
*Oil Field (SB, SB Offshore)*  
*Duplicate Records*

*API Coordinate*  
3 Mile Limit

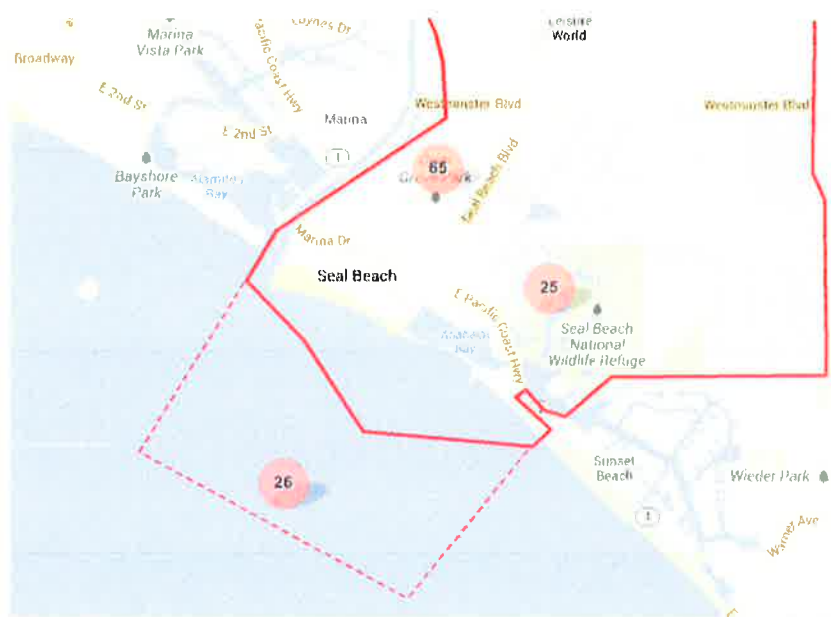
**Oil Production**  
Monthly ('00/'13)  
(20,170 records)

**Tax Rate**  
- Notifications  
- City Ord, Minutes  
- BLS Calculated

**Reconciliation**  
- Date Alignment  
- General Ledger

**Under/Over  
Payment**

# Well Identification



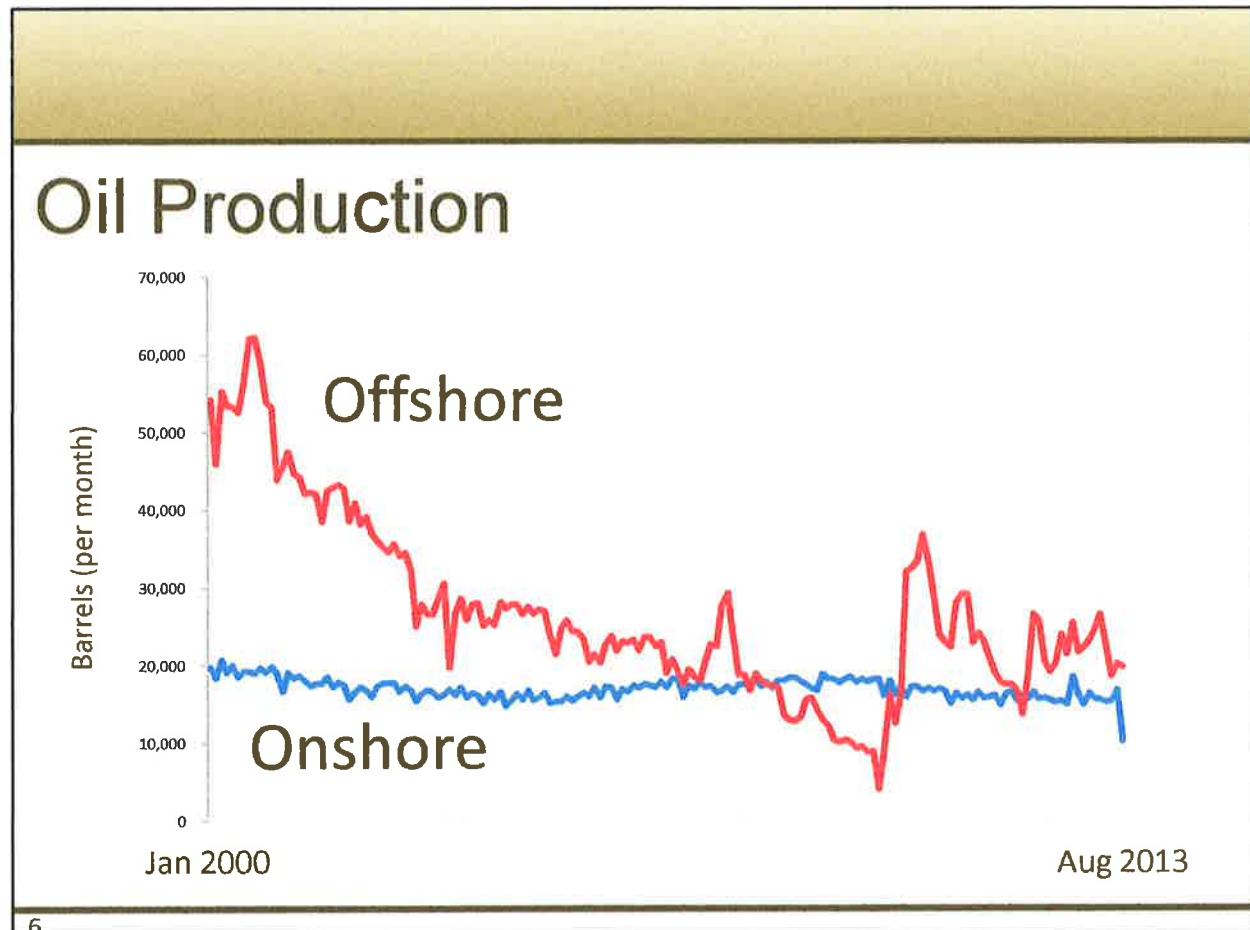
## On-Shore

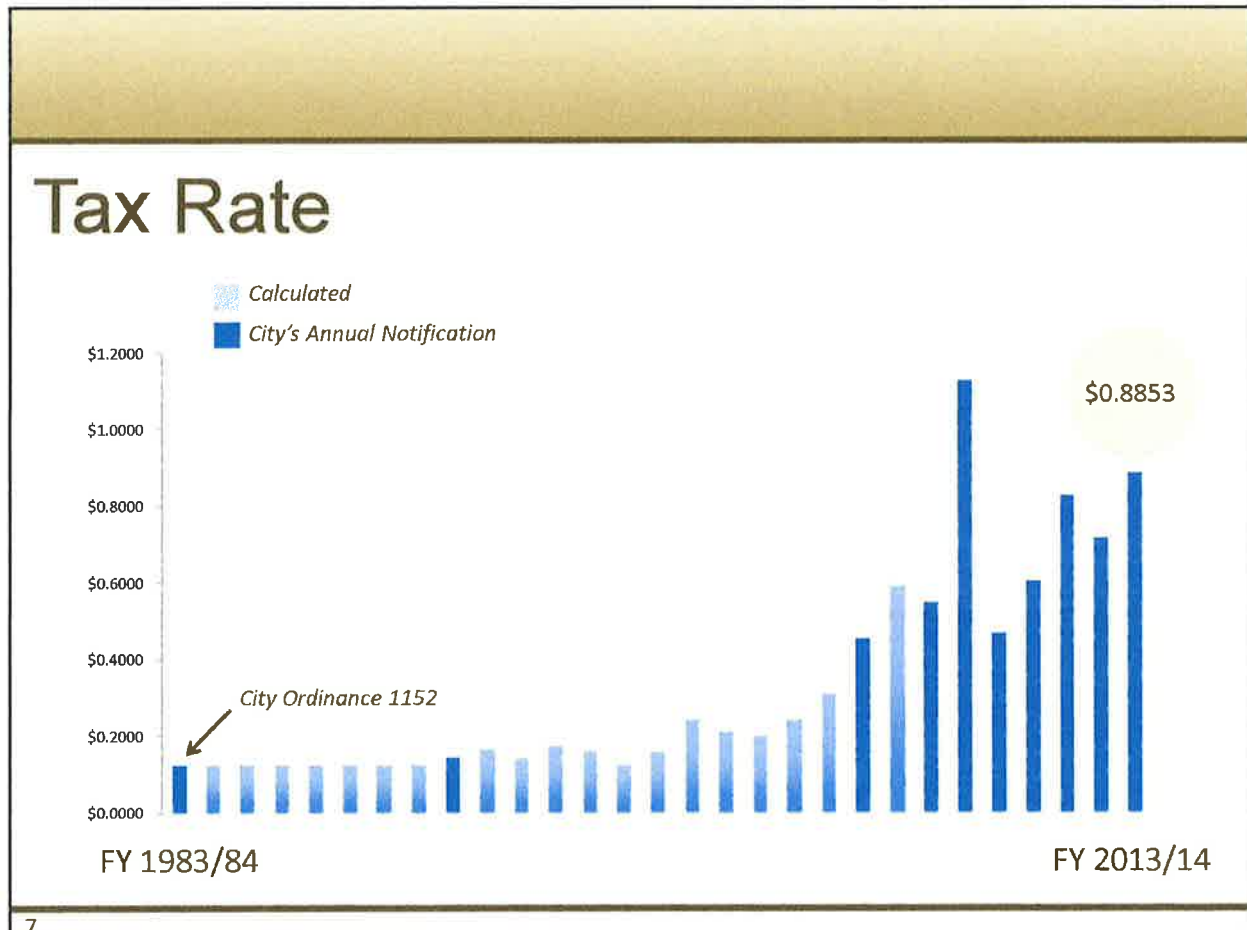
- Hellman (65)
- Breitburn (25)

## Off-Shore

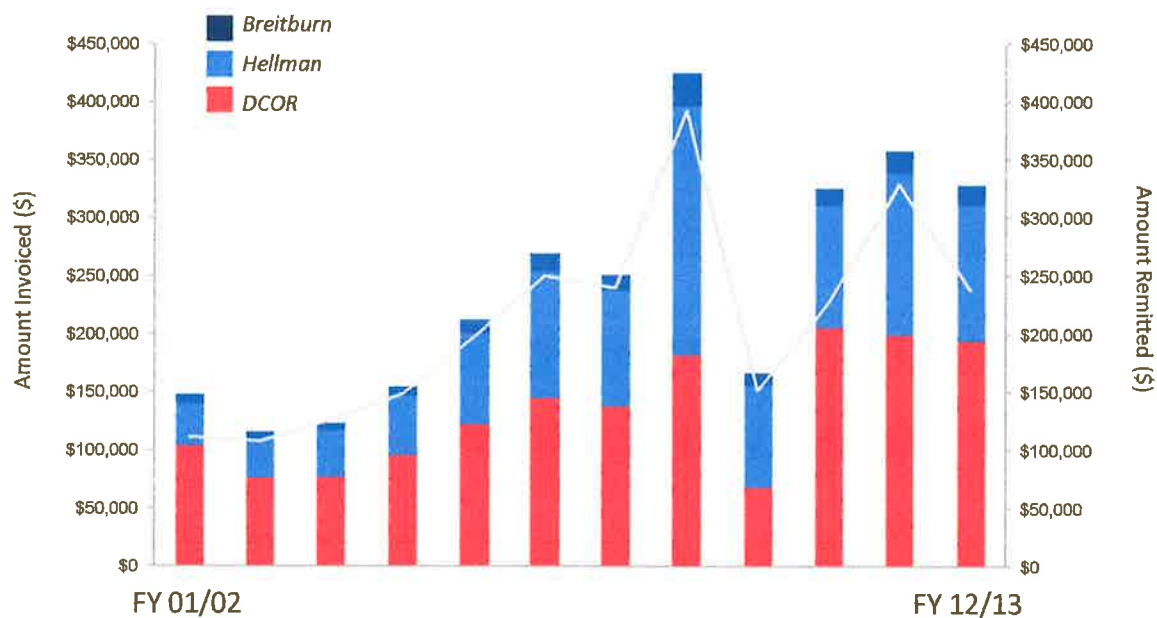
- DCOR (26)







## Tax Revenue (Earned vs Paid)

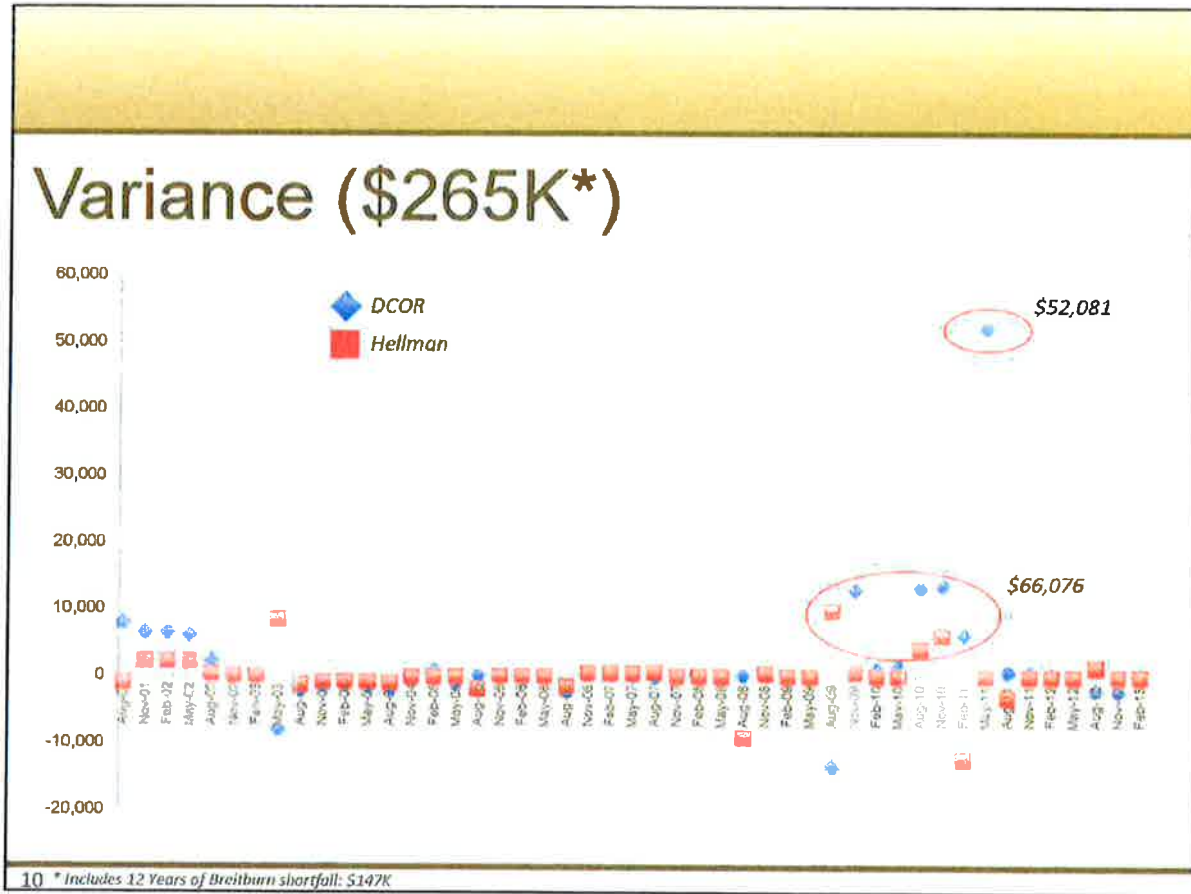


8 Unaccounted DCOR remittances for months 11/2009 & 5/2011. Breitburn no remittance

# 12 Year Summary

Oil Production Reporting Year (a)	Well Owners (b)	Reported Barrels (c)	Amount Due (d)	Amount Paid (e)	Balance Due City (f)	Producing Wells (g)
2001-2002	DCOR	455,273	\$44,887	\$20,183	\$24,704	17
	Hellman	164,719	\$41,192	\$29,686	\$11,506	50
	Bretburn	40,702	\$6,145	\$0	\$6,145	12
2002-2003	DCOR	333,535	\$72,144	\$82,010	(\$11,865)	17
	Hellman	165,673	\$16,007	\$29,664	\$6,338	50
	Bretburn	11,984	\$6,970	\$0	\$6,933	12
2003-2004	DCOR	373,046	\$87,214	\$92,402	(\$5,183)	16
	Hellman	164,301	\$44,260	\$46,896	(\$2,636)	54
	Bretburn	20,841	\$1,214	\$0	\$1,214	11
2004-2005	DCOR	204,244	\$103,233	\$103,936	(\$703)	16
	Hellman	145,408	\$41,639	\$69,671	(\$27,032)	52
	Bretburn	25,295	\$9,334	\$0	\$9,334	11
2005-2006	DCOR	270,967	\$138,335	\$139,644	(\$1,305)	14
	Hellman	179,924	\$82,310	\$94,048	(\$11,738)	51
	Bretburn	25,349	\$1,005	\$0	\$1,005	9
2006-2007	DCOR	239,830	\$148,272	\$147,667	\$605	15
	Hellman	180,067	\$103,348	\$101,771	\$1,577	50
	Bretburn	25,899	\$14,862	\$0	\$14,862	9
2007-2008	DCOR	195,720	\$142,814	\$147,345	(\$4,531)	15
	Hellman	186,184	\$108,353	\$106,060	\$2,293	50
	Bretburn	37,012	\$11,574	\$0	\$11,574	9
2008-2009	DCOR	139,466	\$125,598	\$125,029	(\$569)	9
	Hellman	190,621	\$162,259	\$151,750	\$10,509	50
	Bretburn	24,552	\$20,511	\$0	\$20,511	9
2009-2010	DCOR	316,139	\$145,313	\$143,888	\$1,425	7
	Hellman	181,408	\$94,065	\$94,607	(\$542)	51
	Bretburn	23,063	\$12,174	\$0	\$12,174	7
2010-2011	DCOR	282,620	\$194,029	\$196,998	(\$2,869)	16
	Hellman	140,099	\$117,814	\$122,848	(\$5,034)	52
	Bretburn	22,416	\$15,264	\$0	\$15,264	9
2011-2012	DCOR	240,271	\$187,622	\$198,255	(\$10,633)	16
	Hellman	166,225	\$130,014	\$128,469	\$1,545	50
	Bretburn	27,391	\$17,235	\$0	\$17,235	6
2012-2013	DCOR					15
	Hellman					50
	Bretburn					8
<b>Balance</b>	<b>DCOR</b>				<b>\$32,962</b>	
	<b>Hellman</b>				<b>\$4,884</b>	
	<b>Bretburn</b>				<b>\$147,034</b>	

(a) Oil Production Reporting Year is December.  
 (b) Platform Estimation Ownership: News - 8/11/2004: PXP 8/5/2004 - 12/18/2004: DCOR 12/20/2004 to present.  
 (c) Source: DGGOR.  
 (d) Based on City's annual Rate, Tax Rate notification letters or calculations.  
 (e) Source: City of Oak Bluff General Ledger.  
 (f) Not including interest, late fees, or penalties.  
 (g) All September.





## Next Steps

- *Reconcile DCOR/Hellman under & non payments?*
- *Review Breitburn shortfall?*
- *Position letters & company outreach*