

MINUTE ITEM

This Calendar Item No. 15
was approved as Minute Item
15 by the State Lands
Commission by a vote of 2
to 1 at its 8/20/81
meeting.

CALENDAR ITEM

15

8/20/81
Thompson

APPEAL OF THE LOS ANGELES COUNTY ASSESSOR'S 1981-1982
ASSESSMENT OF THE LONG BEACH UNIT,
WILMINGTON OIL FIELD, LOS ANGELES COUNTY

The Los Angeles County Assessor's Office each year determines the fair market values that are to be used for property assessments by the various cities, taxing agencies and the County for the purpose of collecting ad valorem taxes. The Assessor's 1981-1982 valuation for the taxable portion of the Long Beach Unit is \$1,483,113,300. This is far in excess of the Commission staff's determination for 1981-1982 and is 27% higher than the Assessor's own valuation for 1980-1981.

Taxes are levied against the Field Contractor's portion of Tract 1 in the Long Beach Unit, as a possessory interest. All ad valorem taxes are allowable charges to the net profits accounts of the Long Beach Unit tidelands contractors. Hence more than 95 percent of any such tax expense that is paid by the Contractors is borne by the State.

The Commission staff finds the Los Angeles County Assessor's valuation is unjustified with respect to the following:

1. The oil and gas production rates.
2. The escalation of crude oil and natural gas prices.
3. The low rate of capitalization (present worth discount rate), in view of the present high cost of borrowed capital and the inherent risk in an offshore waterflood project in an environmentally sensitive area.
4. Compliance with Article XIII A of the California Constitution.
5. Reference to the Contractor's future net profits until the year 2015, which is 15 years beyond the possessory interest contract term.

The Working Interest Owners' Ad Valorem Tax Committee of the Long Beach Unit has recommended that the Participants file an application for a reduction of the 1981-1982 assessment.

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S 27, 31

CALENDAR ITEM NO. 15 (CONT'D)

The net profits percentage of 95.56% of the tax expense paid by the Field Contractor reduces the State's tideland oil revenue. Therefore, the Commission must weigh the use of such funds for City of Long Beach and Los Angeles County purposes versus their use for statewide purposes as provided for in Chapter 138, Statutes of 1964, 1st E.S. The Commission staff would recommend that the Commission support necessary and appropriate action to effect the filing of an application for reduction in the 1981-1982 Assessment.

IT IS RECOMMENDED THAT THE COMMISSION AUTHORIZE THE EXECUTIVE OFFICER AND THE OFFICE OF THE ATTORNEY GENERAL TO TAKE THE NECESSARY AND APPROPRIATE ACTION TO EFFECT THE TIMELY FILING OF AN APPLICATION FOR REDUCTION IN THE 1981-1982 ASSESSMENT OF THE LONG BEACH UNIT WITH THE LOS ANGELES COUNTY ASSESSMENT APPEALS BOARD.