

California Crude Production & Access Issues



DOCKET

09-IEP-1K

DATE April 15 2009

RECD. April 14 2009

ROCK ZIERMAN
APRIL 15, 2009

About CIPA



- California Independent Petroleum Association
- Over 400 members; Independent Producers, Service & Supply Companies, and Royalty Owners
- Independents: non-integrated, upstream producers
- Established in 1976
- Headquartered in Sacramento, CA



Production & Access Issues



- Capital
- Rig Availability
- Biological Hurdles & Calendar
- Access to State and Federal Land
- Individual Market Dynamics
- AB 32



Capital



- Study- Independents reinvest 150% of net revenues
- Get Equity Partners or Bank Loans
- Credit Crunch
- Obama Budget Plan



Drilling Rig Availability



- July, 2008—2,400 active rigs
- February, 2009—1,200 active rigs
- 1981—4,500 active rigs
- 1987—663 active rigs
- Cost
- Future
- Affect on Production



Biological Considerations



- **Must Comply with Endangered Species Act (ESA)**
- **Requires Consultations with CA Fish & Game, USFWS, others**
- **Biological Calendar**
- **Habitat Conservation Plans (HCPs)**
- **Air Rules/Districts**
- **Water Rules/Boards**



Access to State & Federal Land

- **Offshore**
 - ✦ State Moratorium
 - ✦ Federal Moratorium



Individual Market Dynamics



- **Heavy/Light Differential**
 - ✦ July, 2008—\$14.06 (\$7.87 Light) **\$147 WTI**
 - ✦ February, 2009—\$10.50 (\$4.32 Light) **\$39 WTI**
 - ✦ March 19, 2009—\$ 5.64 (54 cents Light) **\$51 WTI**
- **Export Ban**
 - ✦ Alaskan North Slope
 - ✦ ANWR
- **San Joaquin Market—Transportation**
 - ✦ Big West/Flying J
 - ✦ San Joaquin Pipeline
- **CA Severance Tax/AB 32**



AB 32—Green House Gases



- Uncertainty
- “Jerry Brown” Affect
- Cap & Trade—Auctions vs. Allocations
- Federal vs. State
- Low Carbon Fuel Standard (LCFS)
- CO₂ Capture & Storage



Conclusion



Rock Zierman
916-447-1177
rock@cipa.org

