

California Crude Production & Access Issues



CIPA

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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



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