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REPORT ON CALIFORNIA OIL PRODUCTION  
AND FUEL CONSUMPTION

MAY 1973

# Joint Legislative Audit Committee

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## California Legislature

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June 6, 1973

Honorable Ken Meade, Chairman  
Assembly Transportation Committee  
Room 3146, State Capitol  
Sacramento, California 95814

Dear Ken:

Transmitted herewith is the report on California oil production and fuel consumption requested by the California Assembly Transportation Committee.

Crude oil production in 1972 was only six percent greater than in 1960, while consumption based on taxable gasoline and diesel distributions increased 80 percent during this period. California crude oil production was sufficient to supply gasoline requirements in 1960. Since then, production has not been sufficient. In 1972, over one-third of California's gasoline requirements were supplied by imports from other states and foreign countries. Most of the deficit in internal crude oil production has occurred since 1968 when production reached its highest point.

In addition to statistics on California oil production and fuel distribution, statistics are included regarding the following factors which affect the current supply problem:

- Changes in inventory
- Changes in source of supply
- Changes in distribution (consumption).

With my warm best wishes,

Sincerely,



VINCENT THOMAS, Chairman  
Joint Legislative Audit Committee

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## INTRODUCTION

In accordance with the request of the Assembly Transportation Committee, we have reviewed available statistics concerning oil production and fuel consumption in the State of California.

We used the motor vehicle fuel license tax figures on gasoline and use fuel tax figures on diesel to indicate the amount of consumption of these fuels. In general, both of these taxes are paid by distributors at the time the product is transferred for retail sales. We were not able to use retail sales tax figures for this purpose because the retail sales of gasoline and diesel are not reported separately from other products sold by retailers.

Because of the current nationwide oil supply problem, the President issued a proclamation on April 18, 1973 intended to increase foreign imports. The principal changes made by the proclamation were:

- Remove all tariffs on crude oil and oil products.
- Suspend direct control of imports and substitute a license-fee quota system with no fee for imports up to the 1973 quota allocation and fees gradually increasing to a maximum of one-half per gallon on crude oil and one and one-half cents per gallon on all refined products.
- For five years after building or expansion of refinery capacity, crude oil up to three-fourths of the new capacity may be imported without fee.

- Make full use of the Oil Import Appeals Board to insure that the needs of independent operators are met.

PRODUCTION AND CONSUMPTION

OIL PRODUCTION AND  
TAXABLE GASOLINE AND  
DIESEL FUEL DISTRIBUTION

Table 1 relates the annual crude oil production and the taxable distributions of gasoline and diesel since 1960. Federally regulated offshore production which began in 1968 is not included. Nontaxable sales are also excluded.

Table 1

<u>Year</u>	<u>California Crude Oil Production</u>		<u>Distribution of Fuel Within California</u>	
	<u>Millions Of Barrels</u>	<u>Variation From 1960</u>	<u>Millions Of Barrels</u>	<u>Variation From 1960</u>
1960	305.4	-	142.4	-
1961	299.7	-1.9%	147.2	+3.4%
1962	296.6	-2.9	154.3	+8.4
1963	300.9	-1.5	163.3	+14.7
1964	300.0	-1.8	173.6	+21.9
1965	316.4	+3.6	180.9	+27.0
1966	344.2	+12.7	190.4	+33.7
1967	359.5	+17.7	196.6	+38.1
1968	373.2	+22.2	209.5	+47.1
1969	365.2	+19.6	221.0	+55.2
1970	347.2	+13.7	230.8	+62.1
1971	327.4	+7.2	239.3	+68.0
1972	324.5	+6.3	255.8	+79.6

## OIL PRODUCTION AND GASOLINE DISTRIBUTION

The amount of gasoline produced from a barrel of crude oil is dependent upon the properties of the oil and the method of refining. According to the Bureau of Mines of the federal Department of the Interior, the average yield of gasoline is 46 percent of crude oil refinery input. Table 2 relates the estimated gasoline production from California crude oil (assuming a 46 percent yield) and the taxable gasoline distribution. The table evidences that in 1960 California crude oil production was sufficient to meet internal gasoline requirements; however, since then the shortage has increased and in 1972, California crude oils supplied only two-thirds of the internal gasoline requirements.

Table 2

<u>Year</u>	<u>Millions of Barrels of Gasoline</u>		
	<u>Estimated Production From California Crude</u>	<u>Internal Distribution</u>	<u>Production Excess (Shortage)</u>
1960	140.5	135.8	4.7
1961	136.7	140.1	(3.4)
1962	136.4	146.7	(10.3)
1963	138.4	155.2	(16.8)
1964	138.0	164.7	(26.7)
1965	145.5	171.3	(25.8)
1966	158.3	180.0	(21.7)
1967	165.4	185.9	(20.5)
1968	171.7	197.3	(25.6)
1969	168.0	207.5	(39.5)
1970	159.7	216.8	(57.1)
1971	150.6	223.8	(73.2)
1972	149.2	239.0	(89.8)

MONTHLY PRODUCTION AND GASOLINE DISTRIBUTION

Table 3 is a schedule of the monthly California crude oil production, equivalent gasoline production (assuming a 46 percent yield) and the taxable gasoline distribution since January 1970. In January 1970, domestic production supplied 84 percent of demand, while in January 1973 domestic production supplied only 64 percent of demand.

Table 3

<u>Year</u>	<u>Month</u>	<u>Millions of Barrels</u>		
		<u>Crude Oil Production</u>	<u>Equivalent Gasoline Production</u>	<u>Taxable Gasoline Distributions</u>
1970	Jan	30.6	14.1	16.8
	Feb	27.6	12.7	16.0
	Mar	30.4	14.0	18.3
	Apr	29.2	13.4	17.7
	May	30.0	13.8	18.5
	Jun	28.6	13.2	18.7
	Jul	29.2	13.4	19.5
	Aug	29.1	13.4	19.1
	Sep	28.0	12.9	18.0
	Oct	28.7	13.2	18.3
	Nov	27.5	12.6	17.3
	Dec	28.2	13.0	18.4



<u>Year</u>	<u>Month</u>	<u>Millions of Barrels</u>		
		<u>Crude Oil Production</u>	<u>Equivalent Gasoline Production</u>	<u>Taxable Gasoline Distributions</u>
1971	Jan	28.0	12.9	17.1
	Feb	25.4	11.7	16.5
	Mar	28.5	13.1	18.3
	Apr	27.2	12.5	18.6
	May	28.0	12.9	18.9
	Jun	27.1	12.5	19.5
	Jul	27.7	12.8	19.6
	Aug	27.6	12.7	19.7
	Sep	26.7	12.3	18.9
	Oct	27.4	12.6	18.9
	Nov	26.6	12.2	18.6
	Dec	27.1	12.5	19.1
1972	Jan	27.1	12.5	18.4
	Feb	25.9	11.9	18.1
	Mar	27.5	12.7	20.2
	Apr	26.7	12.3	19.3
	May	27.7	12.7	20.5
	Jun	26.6	12.3	20.8
	Jul	27.5	12.7	20.3
	Aug	27.6	12.8	21.5
	Sep	26.6	12.2	19.9
	Oct	27.5	12.6	20.0
	Nov	26.5	12.2	19.7
	Dec	27.0	12.4	20.3
1973	Jan	27.0	12.4	19.3

SUPPLY PROBLEMS

INVENTORY REDUCTION

Table 4 shows the combined month-end inventories and change from the prior year in total barrels of crude oils and oil products for the West Coast (Alaska, Arizona, California, Hawaii, Nevada, Oregon and Washington) as compiled by the U. S. Department of the Interior.

Table 4

<u>Month</u>	<u>Month-end Inventories</u> <u>(In Millions of Barrels)</u>		
	<u>1971</u>	<u>1972</u>	<u>Increase</u> <u>(Decrease)</u>
January	128.5	140.0	11.5
February	128.9	140.0	11.1
March	126.8	143.9	17.1
April	128.5	143.8	15.3
May	130.1	149.2	19.1
June	127.8	148.7	20.9
July	130.4	149.9	19.5
August	133.6	148.2	14.6
September	139.8	146.9	7.1
October	139.0	146.1	7.1
November	141.1	143.8	2.7
December	137.7	139.9	2.2
	<u>1972</u>	<u>1973</u>	
January	140.0	131.3	(8.7)
February	140.0	126.6	(13.4)

Reductions have occurred in both the amounts of crude oils and products.

The February 28, 1973 crude oil inventory was equal to a 16-day supply which is two days less than a year earlier, while the product inventory was equal to a 29-day supply which is three days less than a year earlier.

CHANGE IN SOURCE OF SUPPLY

Table 5 below shows the percentage of crude oil received at California refineries by source for the years 1971 and 1972 and for the first two months of 1973. As can be seen, the percentage of crude oil furnished from California production declined by six percent between 1971 and the first two months of 1973, while the percentage received from foreign sources increased by the same percentage. The percentage received from other states has remained stable during this period.

Table 5

<u>Source</u>	<u>1971</u>	<u>1972</u>	<u>First Two Months 1973</u>
California	68%	64%	62%
Other States	13	13	13
Foreign	<u>19</u>	<u>23</u>	<u>25</u>
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

CHANGE IN DISTRIBUTION

In 1960, the taxable distributions of gasoline reported by the seven largest taxpayers represented 77.9 percent of the total of that year. In 1972, the distributions by these companies were 72.6 percent of that year's total. Following are the percentages for the first three months of 1973.

<u>Month</u>	<u>Percent</u>
January	72.2
February	72.8
March	74.0



Walter J. Quinn  
Acting Deputy Auditor General

June 4, 1973

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