State of Alaska
FY2002 Governor's Operating Budget

Department of Natural Resources
Oil & Gas Development
Component

Component: Oil & Gas Development

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Component Mission

The mission of the Division of Oil and Gas is to maximize responsible oil and gas exploration and development.

Component Services Provided

(1) ensure that prospective lands are made available on a predictable basis;

(2) ensure that full value is received from the sale and extraction of our resources;

(3) advance programs designed to promote exploration and development, exploration licensing, shallow natural gas leasing and exploration incentive credits;

(4) maximize the economic and physical recovery of hydrocarbon resources through unitized operations;

(5) ensure that bonus, rental, license fees, net profit, and royalty payments are correct and received when due;

(6) ensure that shared federal bonus, rent and royalties are properly received and allocated;

(7) ensure that leasehold and unitized-related operations are conducted in an environmentally sound manner;

(8) advocate petroleum development throughout the state;

(9) develop marketing strategies, including the negotiation of royalty oil and gas purchase agreements with in-state users;

(10) provide technical and policy support for the Alaska congressional delegation, the Governor's office, Legislature and the Commissioner of DNR; and

(11) provide oil and gas-related information to the public and the press through our website or personal contact.

Component Goals and Strategies

Convey oil and gas rights by conducting competitive oil and gas lease sales and issuing oil and gas exploration licenses and shallow gas leases.

Manage oil and gas rights by monitoring lease and unit operations and accounting for oil and gas rental and royalty payments.

Collect oil and gas revenues through timely and accurate accounting and auditing.

Promote oil and gas development by advocating for programs that encourage exploration and development, marketing oil and gas development opportunities, and stimulating economic development.

These goals support the Governor's commitment to maintaining and enhancing competition, diversity and balance in the exploration, development, and production of Alaskan resources, sustaining and growing both oil and gas production, the revenues derived from that production, and ensuring that the State's natural resources are developed in an environmentally, socially sensitive and responsible manner.

Key Component Issues for FY2001 – 2002

The merger of BP and Arco, the divestiture to Phillips, and the various alignment agreements continue to influence the division's work. The full ramifications are not known at the present time. The timing, type and intensity of exploration, production and development activities that affect our program planning remain uncertain. The good news, we hope, is greater activity. This has been, and will continue to be, a period of great change within the industry.

We are, however, already seeing greater administrative activity. We have been flooded with lease assignments for the Prudhoe Bay Unit (PBU) and we expect more. The realignment of Prudhoe is not finished. Texaco and Chevron have not been aligned. We have not seen the effects of the alignment of the Point Thomson Unit. Although changes in the accounting for the IPAs of Prudhoe have gone smoothly, the rest of the unit is one big nightmare. The volume reporting shows the old allocation numbers. Some companies are reporting on the bases of the old ownership percentages; some on the bases of new percentages. Programs must be re-written and nothing balances. We continue to review agreements to see if they must be revised.

As mentioned, we expect more exploration and development activity. High oil prices and last year's constrained activity should lead to much greater activity this year and hopefully beyond. Phillips and BP are both projecting production growth of at least 15 percent. Moreover, given the realignment, we expect that the companies will have fewer internal squabbles about what gets developed when. BP has publicly stated that they have lowered operating costs at the PBU from $3.00/bbl to $1.50/bbl. This should make many more projects economic within that unit. With the equalization of Prudhoe Bay lease interests there will be an increase in the activity for satellite developments and gas related projects in the unit. As a result of a number of successful "satellite" wells the number of Unit actions has increased. Although not often involving large numbers of barrels, the actions are extremely complex. Much of the new activity occurs at the edges of existing units (which is why they are called satellites) or at the conjunction of two (or more) units and involves commingling of different production streams through common facilities and facility sharing agreements. We are trying to find a consistent way to handle these complex issues. Expect this increased workload to continue as oil prices remain high relative to 1998-1999 and North Slope operations stabilize after the BP-ARCO merger. As a result, we expect more applications for expansions of the PBU and new PAs within the unit. We currently have 47 PODs on the North Slope. This means that the units group has to review roughly a plan a week. The group is already strained. More applications and review will only further strain the group's capacity. Additionally, exploration and development activity will also require more time from our permitting group. More projects will have to be reviewed, permitted and monitored for stipulation compliance by that group.

The resource evaluation group also expects an upturn in activity. We expect more exploration wells to be drilled than last year. We could receive Exploration Incentive Credit and discovery royalty applications. Given the lack of activity in exploration last year, we did not actively pursue seismic data that the state is entitled to (if we can pay for it.) We hope to acquire more of the data and incorporate it in our database so that we can give better quality information to the administration, the legislature, and the public. Naturally, more information will allow the division to make better decisions about the state's valuable resource.

The revenue development section deals with royalty valuation issues. We had ongoing "reopeners" with BP and Arco/Phillips. The talks were stayed as a result of the merger. Those talks, however, are beginning in earnest again. Even so it is unclear how many issues like the viability of ANS spot price and transportation costs and logistics will sort out. The realignment of ownership on the North Slope, Prudhoe Bay and Point Thomson to start, will require that the division re-examine the question of royalty value going forward. This work may lead to further revisions of the ANS Royalty Settlement Agreements with the state's largest royalty payors. This work will also contribute to the adoption of a valuation methodology applicable to new oil and gas production. The revenue development section is also examining our leasing program as a result of information obtained from our experts in the merger process. We are awaiting a report from them.

High oil prices, gas prices and declining gas reserves are causing an increase in exploration activity in Cook Inlet. Smaller companies and new companies are showing an interest in drilling exploration wells and operating existing facilities. Smaller and new companies tend to have less experience or resources compared to larger companies. This can slow the permitting process and increase the risk of environmental damage and default under the terms of the oil and gas leases. Staff are spending larger amounts of time to educate and guide these companies through the permitting process and to formulate performance bonds to lower risk to the state. In addition, the Shallow Gas Lease and the Exploration License Programs are providing an incentive to explore for oil and gas in areas that have not received much attention in recent times. Oil and gas activities are new to these areas and new to the property owners and other interested parties. More staff time is required to educate the public. Activity on privately owned surface by state oil and gas lessee has become a major concern of the public. The relationship between surface and subsurface owners involves complex legal issues that have not yet been fully resolved in Alaska. The uncertainty is resulting in appeals and hearings over the issue of damages and compensation to the surface owner. Staff is spending larger amounts of time on these issues.

Issuance of Shallow Gas Leases may result in new short term drilling activity because the primary term of the lease is three (3) years. To keep the lease beyond that period requires drilling a well capable of production. We should expect drilling programs to be proposed very soon after the leases are issued. Existing Cook Inlet markets and infrastructure improve the economics for shallow gas exploration and production.

Increased seismic exploration on the North Slope is now supporting three independent geophysical companies. That is two more than last year. In addition to the increase in activity in the short run, we can expect additional wells to be drilled as new exploration targets are identified.

The emergent Gas-to-Liquids technology and ongoing push towards north slope gas commercialization will increase the permitting and inspection workload due to new developments, pads, pipelines and infrastructure both in Cook Inlet and on the north slope.

The division must continue to effectively challenge Greenpeace and other environmental activists for the future right to responsibly develop the State's resources. This includes responding to requests for information, lawsuits, media contacts, and public hearings.

Other less dramatic, but nonetheless important issues, include:

With the expansion of the Electronic Data Interchange (EDI) program, several companies are now making royalty (and other) payments, and filing all necessary reports, electronically rather than by the endless stream of paper of the past. More companies will come on-line in FY 01. Ongoing improvements to the automated oil and gas royalty accounting (OGRA) system will provide benefits such as automated value verification, payment reconciliation, digital filing of supplemental documents, and sharing of oil and gas technology, data, and software with other state agencies. We will continue to bring oil and gas royalty and net profit share audits more current. Years 1995 through 1999 are under audit in FY 01 and FY 02. Our goal is to be no more than three years back in the audit cycle.

Interest in exploration licensing continues to increase. The division issued the first exploration license in August 2000 and already has proposals for two licenses in the Susitna Valley, west of Willow and Talkeetna. These licenses are scheduled to be issued during the second quarter of FY2002. In addition, interest has been expressed in licensing an area near Fairbanks. The division anticipates receiving this proposal during April 2001. All of these exploration licenses will require best interest findings. This program must be supported by geological field work and resource assessments by the division. As a new program with apparent early success, exploration licensing presents the division with previously unscheduled work requirements.

The shallow gas leasing program has attracted much attention, both in the number of applications received, and the concerns being raised by residents of the upper Susitna Valley. The question arising from the lease applications in the Talkeetna area is, would a discovery of natural gas benefit the state? A determination will need to be made as to whether it's in the state's best interests to issue leases in this region.

Concerns over the beluga whale will continue to be an issue in Cook Inlet. The department is under court order to withhold leasing of 126 tracts until the court is satisfied that safeguards are in place to protect the belugas. The department has stated that it would not offer these tracts until subsistence hunters and the National Marine Fisheries Service (NMFS) have agreed on a co-management plan; we have offered to assist in developing the plan. The division will need to supplement the beluga whale discussion in its 1999 Cook Inlet Areawide best interest finding before these tracts can be offered in a lease sale.

We anticipate that environmental groups will continue to challenge Cook Inlet and Beaufort Sea sales, which the department plans to conduct on an annual basis. Continuous litigation of our lease sale program stretches thin a small leasing staff.   Preparation of the administrative record, which typically is in excess of 50,000 pages, is very time-consuming. I do not expect this situation to decrease in the near future.

The first coal bed methane Unit (the Pioneer Unit) has had several wells drilled this year. Although we are having some problems, we hope to see more progress this year. We are prepared to issue our first Shallow Gas Leases but are waiting for a resolution of an appeal on how surface owners "rights" are to be handled.

Royalty Settlement Agreement reopeners, new tax bills, regulations on minimum value, discovery royalty applications and royalty reduction applications are likely to be on the table during the year. Each will affect state revenues.

The resurgence of interest in North Slope gas reserves will have a significant impact on the division in the upcoming FY 2001 - 2002 period. Only ARCO Alaska, Inc. maintained an active exploration program through the merger period. BP Amoco is initiating a five-year exploration program to make up for time lost during its merger-year exploration hiatus. Phillips Alaska, Inc. has also announced an extensive drilling program and Anadarko Petroleum Company has disclosed its intent to pursue an active Alaska exploration program beginning in this Winter. Higher natural gas prices and growing recognition of a possible future natural gas shortage in South-central has encouraged operators in the Cook Inlet and Kenai Peninsula areas to increase exploration efforts in those areas.

With a lot of industry's revitalized exploration effort focused on the NPR-A there is a likelihood that the division's involvement in activities in the NPR-A will grow as cooperative agreements with the responsible federal regulatory agencies are implemented. Similarly, joint state-federal management responsibilities will increase as projects such as Northstar, McCovey and Liberty progress. The possible impact of ANWR remains an unknown, but if the coastal plain is opened to exploration the division will have additional involvement there. Activity in the Colville River Delta has increased as a result of NPRA and Alpine field work.

The probable construction of a pipeline system to move North Slope gas to market will present the industry with new exploration opportunities and the division with new challenges. Alaska's conventional and unconventional natural gas resources will need to be identified and evaluated as natural gas finally becomes a marketable commodity and a revenue source for the state.

Litigation will remain a significant component of the division's workload, draining resources needed to accomplish the division's technical mission.

As are other state agencies, the division is aging as the original staff members become eligible for retirement. Attrition is expected to take a heavy toll in technical skills and institutional knowledge beginning in 2001. The loss of institutional knowledge is unavoidable, but will have a tremendously deleterious effect upon the division's ability to perform its mission - particularly in the areas of unit management, appeals and litigation.

Major Component Accomplishments for FY2000

(1) Petroleum revenue (royalty and tax) accounted for approximately 78% of general fund unrestricted revenue. Royalty revenue accounted for 35% of the general fund unrestricted revenue. Total royalty, settlement, rental, federal share and bonus revenue was $1.046 billion. Distribution was as follows; $735.1 million General Fund, $298.7 million Permanent Fund, $7.1 million Constitutional Budget Reserve Fund, and $5.2 million School Fund. Revenue increased over 100% from FY 99 to FY 00.

(2) Successfully applied the most recent Cook Inlet Areawide Lease Sale Mitigation Measures to all Plan of Operation Approvals in the Cook Inlet area. This represents a significant upgrade of environmental standards.

(3) The Northstar Development was permitted in full and the first major sealift was completed.

(4) Alpine was successfully permitted and constructed.

(5) We completed the first "privatized" best interest finding for the Copper River Exploration License. Dames & Moore conducted research and wrote several chapters of the finding.

(6) The shallow gas leasing program started out with a bang. The first day of non-competitive lease opening attracted 36 applicants submitting a total of 270 lease applications. The leases extend from the southern Kenai Peninsula to Fairbanks.

(7) Sixteen oil and gas audits were closed with a net additional collection of $16.0 million. Seven new audits were issued. Six audits remain in litigation and twenty previously issued audits remain open. The division completed the 1993 - 94 BP transportation audit under the auspices of the Department of Revenue and largely coordinated by division staff. The division also initiated preliminary work on the 1995 - 99 BP transportation audit.

(8) The division assisted the department of law with several pipeline-related cases-TAPS quality bank, Cook Inlet Pipeline tariff, Alpine Pipeline tariff, North Star Pipeline tariff and TAPS intrastate tariff as well as several other oil and gas related cases.

(9) "Partnering" with our sister federal agency, Minerals Management Service, in the review of the applications for unitization, participating area determination and initial plan of development for the jointly owned state and federal Northstar field.

(10) Geological reviews of industry proposals to establish or modify units, participating areas and plans of production or operations for the following fields/pools: Alpine, Midnight Sun, Milne Point, North Middle Ground Shoal, Pt. Thomson, Tarn, Tabasco and Tyonek Deep.

(11) Timely response to legislative requests for discovered and undiscovered resource statistics and production forecasts that arose from the announcement of the possible BP Amoco buy-out of ARCO.

(12) Development of a lease database and interface to AutoCad for mapping active leases in exploration and producing areas of the state. A similar database consisting of tract boundaries and sale results from all state lease sales was also created.

(13) Development of the Division of Oil and Gas' website and transfer of oil and gas information to that site for public and internal access.

(14) The Division's Units Project managed 30 active units and 48 participating areas (PAs) within those units that encompass state lands. Management of the units and PAs included review of plans of development and/or exploration for the units and PAs, negotiation of expansions/contractions to units and PAs; negotiation and monitoring of facility sharing and production commingling agreements for the new satellites/PAs, DNR representation before various state and federal agencies regarding Unitization issues; response to inquiries from the legislature, public, and the oil and gas industry regarding Unitization issues; and negotiation of new unit agreements and other complex agreements regarding the development of oil and gas on state lands. Unit and PA activity levels increased after BP-ARCO merger was approved by the Federal Trade Commission.

(15) The division responded to the BP Amoco-ARCO merger by shifting resources to provide technical and policy support for the Governor's Office and the Department of Law.

(16) Issued 41 leases from Cook Inlet Areawide Sale 1999.

(17) The Division provided comments to the BLM regarding the proposed unitization rule for NPR-A. Further rounds with comments are expected on the promulgation in unitization rules for NPR-A.

(18) The installation of the Osprey exploration platform in Cook Inlet is the first phase of evaluating the Redoubt Unit.

(19) The division completed negotiations with BP regarding outstanding disagreements over the calculation of ANS royalty oil value. The resulting amendments to the BP and ARCO ANS Royalty Settlement Agreements resolve ANS royalty oil value issues for the period ending December 1999.

(20) The division contributed expertise and advice to the Department of Law on various pipeline tariff filings before the Alaska Regulatory Commission and the Federal Energy Regulatory Commission.

(21) The division conducted the first competitive royalty oil sale in 14 years. Although the sale attracted no bidders, streamlined sale procedures were adopted to make it possible to conduct sales in the future with less lead-time.

(22) Continued "partnering" with the federal Minerals Management Service in management and oversight of jointly-owned lands in the Northstar Production Unit and the McCovey Exploration Unit. The division also "partnered" with

the federal Bureau of Land Management on issues regarding management of several jointly-owned fields in the Cook Inlet/Kenai region. In similar fashion, the division worked in close partnership with the Arctic Slope Regional Corporation to bring the Alpine field into production.

(23) Substantial effort was made to evaluate, but ultimately deny, the proposal by ARCO Alaska, Inc. to certify the Sambuca No. 1 well as a discovery royalty well. Similarly, a Unocal proposal for an expansive participating area in the North Middle Ground Shoal unit was denied. The former is under appeal and the latter is in litigation.

(24) Geological reviews were prepared for industry proposals to establish or modify units, participating areas, and plans of exploration, development or production for the Alpine, Midnight Sun, North Middle Ground Shoal, Point Thomson, Prudhoe Bay, Duck Island, McCovey, Northstar, Eider and Aurora fields/pools.

(25) Division staff participated in geological field programs investigating the hydrocarbon potential of the Copper River Basin exploration license area and of the NPR-A/North Slope foothills in support of lease sales scheduled for that area.

(26) A mapping database of active oil and gas lease and participating area boundaries throughout the state was compiled for the division's use.

(27) The content of the division's website was expanded and the website proved to be a very successful means of distributing information to the public. The website apparently proved very useful to interested parties during the BP Amoco - ARCO merger process as it logged tens of thousands of hits during that period.

(28) Additional testimony regarding the petroleum potential of the ANWR and the state of industry's arctic technology was prepared for Governor Knowles and for Senator Murkowski. An article describing opportunities for independent operators in Alaska was prepared for publication in The American Oil & Gas Reporter.

(29) Electronic reporting of oil and gas royalty reports were implemented for eighteen (18) companies including full implementation using Electronic Data Interchange (EDI) for two (2) of those companies.

Statutory and Regulatory Authority

Alaska Const.art.VIII, sec.1-2
AS.38.05.032
AS.38.05.131
AS.38.05.133
AS.38.05.134
AS 31.05.035
AS 38.05.020
AS 38.05.030
AS 38.05.035
AS 38.05.137
AS 38.05.145
AS.38.05.177
AS 38.05.180
AS 38.05.183
AS 38.06
AS 41.06
AS 44.19
AS 46.40
6 AAC 50
11 AAC 02
11 AAC 82.805 - 82.115
11 AAC 82.981 - 82.984
11 AAC 83.306
11 AAC 83.810
11 AAC 83.815

11 AAC 83.1020
11 AAC 89.090
11 AAC 96.210 - 96.240

Key Performance Measures for FY2002

Measure: Compliance with the areawide leasing plan and exploration licensing.
(Developed jointly with Legislature in FY2000.)

Background and Strategies:
The division continues to comply. We postponed two lease sales last year because of the merger. We have five (5) sales scheduled for fiscal year 01 and four license applications are in progress.

Measure: The percentage of available state land offered for oil and gas leasing, or for exploration.
(Revised from Legislature's FY2000 version.)

Current Status:
On track to 100% compliance

Benchmark:
Offer oil and gas leasing per our published schedule.

Background and Strategies:
All available state land is made available through our leasing or licensing programs. The SB 281 measure was modified as the division does not sell land, we lease land.

Measure: The revenue received for total state production of oil and gas.
(Developed jointly with Legislature in FY2000.)

Current Status:
In FY00 we collected $1.0 billion in revenues, compared to $516 million in FY99

Benchmark:
The department does not control the amount of revenues it collects. Production and price are driven by market factors.

Background and Strategies:
The (fiscal) yearly totals are posted on our website on a continuing basis. Our website address is:
http://www.dog.dnr.state.ak.us/oil/

Measure: The creation of private sector jobs in the oil and gas industry in the state.
(Added by Legislature in FY2000 version.)

Background and Strategies:
These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

Status of FY2001 Performance Measures

	Achieved	*On track*	*Too soon to tell*	*Not likely to achieve*	*Needs modification*
• Compliance with the areawide leasing plan and exploration licensing.		X			

	Achieved	*On track*	*Too soon to tell*	*Not likely to achieve*	*Needs modification*
• The percentage of available state land acreage offered through lease or sale or for exploration.		X			
• The revenue received for total state production of oil and gas.		X			
• The creation of private sector jobs in the oil and gas industry in the state.		X			

Oil & Gas Development

Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,828.8	3,989.3	4,218.8
72000 Travel	53.3	114.4	139.4
73000 Contractual	216.4	242.7	322.7
74000 Supplies	83.2	73.9	128.9
75000 Equipment	53.5	2.3	41.6
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**4,235.2**	**4,422.6**	**4,851.4**
Funding Sources:			
1002 Federal Receipts	0.0	140.0	140.3
1004 General Fund Receipts	3,076.0	3,112.9	3,555.9
1005 General Fund/Program Receipts	46.4	48.6	49.6
1007 Inter-Agency Receipts	43.0	0.0	0.0
1053 Investment Loss Trust Fund	0.0	14.8	0.0
1055 Inter-agency/Oil & Hazardous Waste	0.0	20.0	20.0
1061 Capital Improvement Project Receipts	25.5	15.3	15.4
1105 Alaska Permanent Fund Corporation Receipts	1,044.3	1,065.5	1,070.2
1108 Statutory Designated Program Receipts	0.0	5.5	0.0
Funding Totals	**4,235.2**	**4,422.6**	**4,851.4**

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	115.7	150.0	150.0	115.7	50.0
Unrestricted Fund	68515	1,046,005.5	1,285,110.2	1,285,110.2	1,012,003.0	918,760.2
Unrestricted Total		**1,046,121.2**	**1,285,260.2**	**1,285,260.2**	**1,012,118.7**	**918,810.2**
Restricted Revenues						
Federal Receipts	51010	0.0	140.0	140.0	140.3	169.8
Interagency Receipts	51015	43.0	0.0	0.0	0.0	0.0
General Fund Program Receipts	51060	46.4	48.6	48.6	49.6	49.6
Statutory Designated Program Receipts	51063	0.0	5.5	5.5	0.0	0.0
Capital Improvement Project Receipts	51200	25.5	15.3	15.3	15.4	0.0

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Permanent Fund Earnings Reserve Account	51373	1,044.3	1,065.5	1,065.5	1,070.2	1,070.2
Investment Loss Trust Fund	51393	0.0	14.8	14.8	0.0	0.0
Interagency Recs./Oil & Hazardous Waste	51395	0.0	20.0	20.0	20.0	20.0
Restricted Total		**1,159.2**	**1,309.7**	**1,309.7**	**1,295.5**	**1,309.6**
Total Estimated Revenues		**1,047,280.4**	**1,286,569.9**	**1,286,569.9**	**1,013,414.2**	**920,119.8**

Oil & Gas Development

Proposed Changes in Levels of Service for FY2002

Our requested $400.0 increment will allow us: to fund our vacancies to deal with the ever increasing workload; pay for an Analyst Programmer to Oil & Gas Royalty Accounting, and Leasing data bases; market the State of Alaska outside the State; reimburse oil companies for the statutorily required seismic data we ask them to produce; pay for a consultant for market analysis; and buy the required hardware and software for operational needs.

Changes in services are:

(1) Full day-to-day implementation of electronic (EDI) royalty reporting and payment will allow staff to focus more on value and volume verification and audit and less on data entry. It will also make the royalty value and volume data base standardized and available in digital format to all division staff for analysis and research purposes.

(2) Oil and gas data and general information is being made available to the public and other agencies on the division's website. Fewer printed publications will be available over the counter.

(3) The Shallow Natural Gas Leasing program was originally intended to encourage exploration in rural areas where fuel costs are currently subsidized. We are experiencing interest in developing shallow gas to compete in the commercial market as well as providing mine-mouth energy sources. If successful, this program could reduce mine operating costs in Alaska dramatically. This program will bring added costs and resource commitments to the division since it will involve communities not previously involved with oil and gas activity.

(4) As a result of budget cuts in FY00 we continue to: eliminate display ads for lease sales
eliminate most travel to the North Slope for public hearings; conduct hearings via teleconference; only rely on division's website to disseminate information; no longer print excess copies of the Five-Year Oil and Gas Leasing Program, and decrease amount of material being mailed out.

(5) As use of the division's website expands, Resource Evaluation staff should be able to dedicate more time to accomplishing missions and goals while, at the same time, disseminating more information to the public through the website.

(6) Statute and regulations dictate the activities and actions of the Unitization Section. Given the current level of funding and the prospect for further budget cuts while the workload only increases will mean a delay in the processing of unit and PA applications and requests. Review and analysis of the complex issues involved in satellite developments could suffer as the industry demands expedited approval for these projects. Already important development applications and approval requests for North Slope projects are taking more time to complete.

(7) The division will see an increase in the various components workload in response to the BP Amoco-ARCO merger. Lease administration will have to process lease assignments, units management activities will increase as new producers initiate new exploration and development programs, and permitting will have to respond to new construction proposals. As resource ownership patterns shift, the division will be called upon to provide continued technical support to the Department of Law as royalty settlement agreements are renegotiated. New markets for royalty oil and gas may also arise as producers, pipeline owners, and new entrants in the state's oil and gas industry vie for production.

(8) Increase data accessibility on the internet. Move towards establishing all permits and applications to be available on the internet, as well as an e-commerce system for permit applications, fees, assignments and revenue billing.

(9) Streamline the lease assignment process to be more efficient and provide an effective mode for reliable electronic data transfer and exchange between different sections, agencies, applicants and the public.

(10). Establish a cost effective internet connection and e-mail system for the Prudhoe Bay office.

(11) Various components are still responding to the BP - ARCO merger and sale of ARCO's Alaska assets to Philips Petroleum.

(12) The division will have to provide technical support to the Department of Law as royalty settlements are reopened.

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2001 Authorized	**3,176.3**	**140.0**	**1,106.3**	**4,422.6**
Adjustments which will continue current level of service:				
-Convert Special FY2001 Labor Cost Fund Sources to GF	5.5	0.0	-5.5	0.0
-Year 2 Labor Costs - Net Change from FY2001	23.7	0.3	4.8	28.8
Proposed budget increases:				
-Oil and Gas Workload Issues, Technological and Training Enhancements	400.0	0.0	0.0	400.0
FY2002 Governor	**3,605.5**	**140.3**	**1,105.6**	**4,851.4**

Oil & Gas Development

Personal Services Information

Authorized Positions	FY2001 Authorized	FY2002 Governor	Personal Services Costs	
Full-time	54	55	Annual Salaries	3,187,872
Part-time	0	0	COLA	52,453
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	1,060,210
			Less 1.90% Vacancy Factor	(81,735)
			Lump Sum Premium Pay	0
Totals	**57**	**58**	**Total Personal Services**	**4,218,800**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	5	0	0	0	5
Accountant IV	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	2	0	0	0	2
Accounting Tech II	1	0	0	0	1
Administrative Clerk II	2	0	0	0	2
Administrative Clerk III	1	0	0	0	1
Administrative Manager I	1	0	0	0	1
Analyst/Programmer III	1	0	0	0	1
Analyst/Programmer IV	3	0	0	0	3
Cartographer II	2	0	0	0	2
Chief Petroleum Geologist	1	0	0	0	1
Division Director	1	0	0	0	1
Geologist II	1	0	0	0	1
Geologist III	1	0	0	0	1
Natural Resource Mgr I	4	0	0	0	4
Natural Resource Mgr II	2	0	0	0	2
Natural Resource Off I	1	0	0	0	1
Natural Resource Off II	5	0	0	0	5
Natural Resource Tech II	2	0	0	0	2
Operations Res Anl I	1	0	0	0	1
Petroleum Economist I	3	0	0	0	3
Petroleum Geologist I	3	0	0	0	3
Petroleum Geologist II	2	0	0	0	2
Petroleum Investments Manager	1	0	0	0	1
Petroleum Manager	1	0	0	0	1
Petroleum Market Analyst	1	0	0	0	1
Petroleum Reservoir Engineer	1	0	0	0	1
Revenue Auditor IV	2	0	0	0	2
Revenue Auditor V	1	0	0	0	1
Secretary	1	0	0	0	1
Student Intern	3	0	0	0	3
Totals	**58**	**0**	**0**	**0**	**58**