

Oil and Gas Electronic Signature for Lease Assignments and Payments

FY2003 Request: \$150,000
Reference No: 35733

AP/AL: Appropriation **Project Type:** Information Systems
Category: Development
Location: Statewide **Contact:** Mark Myers
House District: Statewide (HD 1-40) **Contact Phone:** (907)269-8800
Estimated Project Dates: 07/01/2002 - 06/30/2003

Brief Summary and Statement of Need:

This project will automate the processing of an increasing number of oil and gas lease assignments and permit applications (1400+ annually for CY 2001). A lease assignment is a partial or full transfer of ownership in one lease from one company to another. This automation will include: electronic signatures with verification of the requestor, digital signatures using public key encryption technology and secured network connections, and electronic payments using credit card technology. We expect approximately thirty oil and gas companies to be involved initially in this project. This automation will improve processing time for lease assignments and oil and gas development and production permits.

Funding:	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>Total</u>
Gen Fund	\$150,000						\$150,000
Total:	\$150,000	\$0	\$0	\$0	\$0	\$0	\$150,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Additional Information / Prior Funding History:

This project is designated as the enterprise pilot project by the TIC Policy Committee and the Digital Signature Committee.

Project Description/Justification:

Detailed Project Justification:

This project is needed now to provide the public and private sector the capability to apply for oil and gas permits interactively on the web and give them full access to the permits that have been issued in an on-line environment. It also provides for all of our lease assignments to be applied for and processed interactively over the web. The Division expects to receive approximately 1400 applications this year alone, up from an average of 520 over the past ten years; by automating this process, we will be able to reduce the time for processing through the use of more efficient procedures to file and process an application. This project will also greatly speed up the time it takes to grant a permit or approve an assignment, which will be a great benefit to state agencies and companies through faster and more efficient economic development.

Within the State of Alaska, divisions requiring permit or lease assignment information will be able to gain direct and timelier access to this data. Providing this information on-line will eliminate the need for duplicate data files of this information to be sent to other agencies. This project seeks to use electronic networks and technical solutions to create a more integrated approach to providing public access to permits and lease assignment data within the State of Alaska. The Alaska Oil and Gas Association and its member companies would support this project, as it would provide timely and efficient processing of lease administration activities and oil and gas development and production operations permitting.

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The State of Alaska/Division of Oil and Gas has been delegated specific statutory and regulatory authority and responsibility to lease and administer state oil and gas properties. Administration of oil and gas leases increases in complexity as the number of producing leases increases and the variety of arrangements of lessee ownership also increases.

Lease Administration processing and record storage practices directly impact the cost of administration to the state as well as the transaction costs borne by the lessees. Costs associated with increased reporting include the addition of staff to handle the volume of work, storage to handle paper reports, and the preparation costs borne by companies.

Leasing state lands for oil and gas development and production generates revenue through lease rentals and the collection of royalties when leases go into production. Automation of the lease assignment processing, operations permitting, and the collection of fees will enable existing staff to meet the daily statutory and regulatory requirements for administering oil and gas lessees both for the public and other government agencies working to meet statutory and regulatory requirements. These efficiencies further promote the generation of revenue by improving the efficiency of doing business in Alaska and thus provide for more employment opportunities for Alaskans.

The only other alternative considered was to increase staffing and maintain the existing manual document processing and storage system. Since this system does not currently meet the timeliness requirements, requiring 3 to 6 months on average to process assignments, and with the ever increasing volume of lease assignment processing, either additional staff are required or automation of documents and information processing needs to occur. Even with additional staff, manual procedures continue to significantly hinder efficiency because of the increasing volume of paper flowing into the agency along with existing historical documents already on file. Researching and cross-referencing of documents is a very time-consuming manual process. Automation provides efficient storage, indexing and retrieval and filing of documents and information.

Improving the efficiency and handling of lease and permit applications and data helps minimize increases in the operating budget for additional staffing to handle the increasing volume of lease assignments and permits processing.

Specific Spending Detail:

The project costs were estimated based on current prices for expected equipment purchases, processing software packages, software maintenance costs, materials costs, and systems development costs for automating existing historical records. Consultant costs to build, install and establish the equipment and software for initial system creation are also considered.

Hardware and Software (74000 & 75000): Update our existing hardware and software as necessary to carry out routine verification of electronic signatures and accept credit card payments and applications submitted via the internet.

Consulting Services (73000): Computer Design and Installation Professional Services contract to design and install the system. Hire temporary programming staff to implement, maintain and correct any system problems that might occur during the normal use of the system. Provide staff training in how to use the system.

Line Item	Estimated \$ Expenditure
73000 – Contractual	\$100.0
74000 – Commodities	\$30.0
75000 – Capital	\$20.0

Project Opposition: None known.

