State of Alaska
FY2006 Governor's Operating Budget

Department of Natural Resources
Oil & Gas Development
Component Budget Summary

Component: Oil & Gas Development

Contribution to Department's Mission

The Division of Oil and Gas manages oil and gas lands in a manner that assures both responsible oil and gas exploration and development and maximum revenues to the state.

Core Services

Make prospective lands available for oil and gas exploration, development, and production on a predictable basis.

Administer conventional oil and gas leases and exploration licenses, as well as exploration incentive programs.

Maximize the economic and physical recovery of hydrocarbon resources through unitized or cooperative operations.

Ensure that full value is received from the extraction and sale of state oil and gas resources.

Develop marketing strategies and negotiate agreements for the sale of royalty oil and gas to provide in-state benefits.

Ensure that bonus, rental, license fees, net profit, and royalty payments are correct and received when due.

Ensure that shared federal bonus, rent, and royalty are properly received and allocated to the proper revenue fund.

Ensure that exploration, leasehold, and unit-related operations are conducted in a timely and environmentally sound manner.

Provide technical and policy support for the Alaska Congressional Delegation, the Governor's office, the Legislature, and the Commissioner of DNR.

Provide publicly available existing and new oil and gas related information to technical users, the general public, and the press through technical publications, informational pamphlets, the website, or personal contact.

Advocate responsible oil and gas development throughout the state.

Gas pipeline analysis and negotiations.

End Results	Strategies to Achieve Results
A: Encourage Exploration and Development. Target #1: Maintain 5,000,000 acres or more under lease during FY. Measure #1: Amount of state acreage under lease Target #2: Maintain 5,000,000 acres or more under lease during FY. Measure #2: Amount of state acreage under license. Target #3: Ten new exploration wells in FY. Measure #3: Number of new exploration wells drilled per year	**A1: Hold regularly scheduled lease sales** Target #1: Four sales held on schedule in accordance with the Five-Year Program. Measure #1: Number of sales held on schedule. **A2: Promptly issue leases and licenses without compromising legal integrity of the lease or license.** Target #1: All leases awarded within six months of lease sale Measure #1: Average time to issue a lease. Target #2: All licenses awarded within 18 months

	Measure #2: Number of licenses awarded within 18 months. **A3: Actively market and evaluate Alaska's oil and gas potential.** Target #1: Two new companies actively exploring in Alaska per FY. Measure #1: Number of new oil and gas companies actively exploring in Alaska. **A4: Evaluate new areas for oil and gas exploration and development.** Target #1: Evaluate 100 percent of proposed sale/exploration license areas. Measure #1: Percent of potential lease sale/exploration licenses evaluated. **A5: Efficiently adjudicate exploration permits.** Target #1: 100 percent of exploration permits issued within the timelines set by the Alaska Coastal Management Program during FY. Measure #1: Percent of exploration permits issued within the timeline.
End Results	**Strategies to Achieve Results**
B: Maximize benefits of development and production to the state. Target #1: Zero decrease in statewide oil and gas production from previous fiscal year. Measure #1: Percentage change in rate of production.	**B1: Efficiently adjudicate development permits** Target #1: 100 percent of development permits issued within the timelines set by the Alaska Coastal Management Program during FY. Measure #1: Percent of development permits issued within the timeline. **B2: Promptly adjudicate completed lease assignments.** Target #1: 100 percent of lease assignments adjudicated within 15 working days. Measure #1: Percentage of lease assignments adjudicated within fifteen working days. **B3: Keep up with the increasing numbers of unit-related decisions (plans of exploration/development/PAs).** Target #1: 90 percent of unit/participating area decisions issued within 90 days. Measure #1: Percentage of unit/participating area decisions negotiated and issued within 90 days. **B4: Negotiate new unit agreements that accelerate exploration and development and maximize the economic benefit to the state.** Target #1: Negotiate five new unit agreements per FY.

	Measure #1: Number of new unit agreements **B5: Perform inspections of oil and gas operations.** Target #1: 100 percent of seismic, exploratory, and production operations inspected each year. Measure #1: Percent of seismic, exploratory, production operations inspected each year.
End Results	**Strategies to Achieve Results**
C: Maximize non-tax revenue from state oil and gas production. Target #1: $ 1.1 billion Measure #1: Amount of non-tax revenue received for total state production of oil and gas.	**C1: Ensure that the state receives the best negotiated value in the sale of its royalty-in-kind (RIK) oil and gas.** Target #1: Receive $ .30 per barrel more from RIK as opposed to royalty-in-value (RIV). Measure #1: Difference between RIK than RIV. **C2: Conduct timely audits.** Target #1: Complete four royalty audits each FY. Measure #1: Number of royalty audits completed during FY. **C3: Ensure that the state receives full value for oil and gas royalty-in-value (reopeners).** Target #1: 100 percent of reopeners increase value. Measure #1: Percent of reopeners that increase value.

Major Activities to Advance Strategies

- Public outreach - MatSu, Bristol Bay, Alaska Peninsula, Healy, southern Kenai Peninsula, Nenana, and the Sleetmute area
- Oil and gas advocacy-independents, new entrants and new areas in the state
- Resource evaluation - evaluate frontier and producing basins
- Ensure full value for the state's oil and gas resources
- Evaluate requests for royalty in kind sales
- Timely and accurate oil and gas royalty accounting
- Timely processing of lease assignments
- Evaluate requests for unitization of oil and gas leases
- Active inspection and permit compliance work
- Timely permitting
- Respond to requests for exploration licensing - Healy and Sleetmute areas
- Pursue new lease sales areas - Bristol Basin and Alaska Peninsula
- Hold regular competitive, areawide lease sales

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: $9,170,600

Personnel:	
Full time	80
Part time	0
Total	80

Performance Measure Detail

A: Result - Encourage Exploration and Development.

Target #1: Maintain 5,000,000 acres or more under lease during FY.
Measure #1: Amount of state acreage under lease

Analysis of results and challenges: FY04, 4.67 million acres under lease.

Target #2: Maintain 5,000,000 acres or more under lease during FY.
Measure #2: Amount of state acreage under license.

Analysis of results and challenges: FY04 1.6 million acres under license

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Target #3: Ten new exploration wells in FY.
Measure #3: Number of new exploration wells drilled per year

Analysis of results and challenges: 100 percent compliance in FY04.

A1: Strategy - Hold regularly scheduled lease sales

Target #1: Four sales held on schedule in accordance with the Five-Year Program.
Measure #1: Number of sales held on schedule.

Analysis of results and challenges: 100 percent in compliance.

A2: Strategy - Promptly issue leases and licenses without compromising legal integrity of the lease or license.

Target #1: All leases awarded within six months of lease sale
Measure #1: Average time to issue a lease.

Analysis of results and challenges: 100 percent awarded within 6 months.

Target #2: All licenses awarded within 18 months
Measure #2: Number of licenses awarded within 18 months.

Analysis of results and challenges: On track to award Bristol Bay Exploration Licenses 18 months after receiving application.

A3: Strategy - Actively market and evaluate Alaska's oil and gas potential.

Target #1: Two new companies actively exploring in Alaska per FY.
Measure #1: Number of new oil and gas companies actively exploring in Alaska.

Analysis of results and challenges: Two new companies are involved in Alaska.
Kerr-McGee has partnered with Armstrong Alaska Inc. in their Beaufort Sea exploration and
Pioneer Natural Resources Alaska Inc. acquired leases in the Beaufort Sea and North Slope lease sales.

A4: Strategy - Evaluate new areas for oil and gas exploration and development.

Target #1: Evaluate 100 percent of proposed sale/exploration license areas.
Measure #1: Percent of potential lease sale/exploration licenses evaluated.

Analysis of results and challenges: FY 04: Evaluated hydrocarbon potential on unleased tracts prior to all scheduled lease sales.

A5: Strategy - Efficiently adjudicate exploration permits.

Target #1: 100 percent of exploration permits issued within the timelines set by the Alaska Coastal Management Program during FY.
Measure #1: Percent of exploration permits issued within the timeline.

Analysis of results and challenges: 90 percent issued on time in FY 04.

B: Result - Maximize benefits of development and production to the state.

Target #1: Zero decrease in statewide oil and gas production from previous fiscal year.
Measure #1: Percentage change in rate of production.

Analysis of results and challenges: One percent drop in oil production rate: slight decline in Cook Inlet gas production.

B1: Strategy - Efficiently adjudicate development permits

Target #1: 100 percent of development permits issued within the timelines set by the Alaska Coastal Management Program during FY.
Measure #1: Percent of development permits issued within the timeline.

Analysis of results and challenges: FY 04: 96 percent issued on time.

B2: Strategy - Promptly adjudicate completed lease assignments.

Target #1: 100 percent of lease assignments adjudicated within 15 working days.
Measure #1: Percentage of lease assignments adjudicated within fifteen working days.

Analysis of results and challenges: FY 04: 54.9 percent issued within 15 days; overall average time to issue is 15.5 days

B3: Strategy - Keep up with the increasing numbers of unit-related decisions (plans of exploration/development/PAs).

Target #1: 90 percent of unit/participating area decisions issued within 90 days.
Measure #1: Percentage of unit/participating area decisions negotiated and issued within 90 days.

Analysis of results and challenges: 100 percent compliance in FY 04.

B4: Strategy - Negotiate new unit agreements that accelerate exploration and development and maximize the economic benefit to the state.

Target #1: Negotiate five new unit agreements per FY.
Measure #1: Number of new unit agreements

Analysis of results and challenges: Three new unit agreements in FY 04.

B5: Strategy - Perform inspections of oil and gas operations.

Target #1: 100 percent of seismic, exploratory, and production operations inspected each year.
Measure #1: Percent of seismic, exploratory, production operations inspected each year.

Analysis of results and challenges: 85 percent complete in FY 04.

C: Result - Maximize non-tax revenue from state oil and gas production.

Target #1: $ 1.1 billion
Measure #1: Amount of non-tax revenue received for total state production of oil and gas.

Analysis of results and challenges: $1.42 billion in FY 04.

C1: Strategy - Ensure that the state receives the best negotiated value in the sale of its royalty-in-kind (RIK) oil and gas.

Target #1: Receive $ .30 per barrel more from RIK as opposed to royalty-in-value (RIV).
Measure #1: Difference between RIK than RIV.

Analysis of results and challenges: 100 percent compliance in FY 04.

C2: Strategy - Conduct timely audits.

Target #1: Complete four royalty audits each FY.
Measure #1: Number of royalty audits completed during FY.

Analysis of results and challenges: Four royalty audits completed in FY04.

C3: Strategy - Ensure that the state receives full value for oil and gas royalty-in-value (reopeners).

Target #1: 100 percent of reopeners increase value.
Measure #1: Percent of reopeners that increase value.

Analysis of results and challenges: Current reopener is still in progress

Key Component Challenges

The Division of Oil & Gas manages the state's oil and gas resources with a staff of 76, consisting of highly specialized technical experts schooled as geologists, geophysicists, engineers, computer sciences, attorneys, economists, accountants, and natural resource specialists, who work in asset teams but administratively are assigned to seven sections: administration; audit; commercial; leasing/permitting; resource evaluation; royalty accounting; and units. They:

Strive to:

- add commercial and audit expertise to evaluate new oil and gas pipeline tariff proposals, North Slope gas fiscal systems and North Slope facility sharing models and to improve audit capabilities
- prepare for additional RIK oil and gas sales
- better evaluate Cook Inlet long term gas supply and deliverability
- improve and expand the oil and gas royalty accounting system so that the Division can continuously monitor crude and gas values and field, processing, and transportation costs, and thus audit royalty payers quickly and timely and reopen and renegotiate royalty settlement agreements to rapidly enhance state revenues
- promote and facilitate an increased role for independent oil and gas companies willing to develop new regions of the state
- minimize or eliminate vacancies and keep the Division fully and competently staffed to rapidly lease acreage, promote or compel early exploration, development, and production, and maximize revenues to the state;
- fully evaluate the resource potential of the Alaska Peninsula for a proposed oil and gas lease sale
- increase the number of permitters/inspectors to oversee coalbed methane operations in populated areas, increased Cook Inlet gas exploration development

- improve the quality and quantity of information on the Division's web site in order to attract new companies to Alaska and facilitate resource development in the state
- increase the Division participation in geological field work on the North Slope foothills and the Alaska Peninsula in support of DGGS field programs that promote exploration in these areas
- evaluate the commercial factors affecting the gasline project and negotiating with multiple parties: producers, ANGDA, Port Authority, and others interested in various pipeline natural gas projects.

Major activities occurring in or planned for FY05 - FY06 are discussed below by section. In the upcoming fiscal year, the Division expects to see an increase in activity by independents, both large and small, and other new entrants to Alaska. As the major oil companies deal with merger-related issues, additional acquisition, and other worldwide opportunities, the independents will become increasingly important to the state. Many believe this is a natural evolution similar to one that occurred in the onshore and shallow marine portions of the Gulf of Mexico. While the frontier exploration efforts of the majors has diminished, except for activity in NPRA, they have been active in the development of satellite fields near existing infrastructure and are proceeding with the initial permitting stages for the development of the Colville River Delta and NPRA. On the horizon is Liberty in the Beaufort Sea, a new viscous oil drill site at Prudhoe Bay, and continued activity associated with West Sak development in Kuparuk. This change from Majors to Independents was illustrated by the October 2004 North Slope and Beaufort Sea lease sale where ten independents and one major bid.

Cook Inlet exploration activity has already increased and a higher than normal level of activity is expected to continue for several years to come as the search for new gas reserves continues by both traditional explorers and new entrants. Activities relating to coalbed methane exploration and development are at a stand still as the program is undergoing a policy review.

<u>Leasing, Lease Administration, and Permitting</u>

With the demand for additional areawide lease sales and exploration licenses comes an increase in title work and lease administration as well as environmental, and socioeconomic review in the form of best interest findings, development of mitigation measures, and compliance with the Alaska Coastal Management Program.

- With regard to leasing and licensing, the Division continues to review all mitigation measures for competitive lease sales and exploration licensing modifying these measures as new concerns arise and the oil and gas industry evolves. Each exploration license requires a best interest finding. In some cases, an Alaska Coastal Management Program (ACMP) consistency determination is required (ensuring the license provisions are consistent with the state's ACMP and local management plans).

- In addition, exploration licenses and Cook Inlet lease sales are occurring in areas where private parties own a significant percent of the surface. 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 lengthy discussions, workshops, and meetings between staff, oil and gas lessees, and landowners in these areas. Consequently more staff time is required to educate the public. The split estate may lead to appeals and hearings over the issue of damages and compensation to the surface owner.

- Increased title work: Exploration licensing has presented the Division with previously unscheduled work requirements, most notably title work. Each license proposal requires title work on approximately 500,000 acres. Shallow gas leasing, which has become a controversial program, especially in the heavily populated areas such as the Mat-Su Valley and on the Southern Kenai Peninsula, has also increased the Division's title workload. Title work in these areas can be both complicated and time-consuming because of multiple subsurface estate ownership issues. Keeping up with this increased title workload has been difficult for the Division's two-person Title Unit. The Division of Mining, Land, and Water has also had to balance preparation of title reports for oil and gas with other state projects. The Division anticipates title work demands to increase as a result of successful lease sales in FY04 and FY05, two pending exploration license applications, and the proposed Alaska Peninsula Areawide Sale.

- Increased demand for administration of oil and gas leases: The North Slope, Beaufort Sea, North Slope Foothills, and Cook Inlet areawide lease sales, continue to increase the number of leases the Division issues. As a result of the increased areawide leasing activity, along with a decrease in the number of leases expiring (due to production and unitization), the number of leases being administered has risen dramatically in the past few years (see Figures 1 and 2). Keeping up with the rising number of oil and gas leases that must be administered by the Division is a constant challenge.

- The Division is preparing to process assignments for the alignment of ownership interests at Point Thomson.

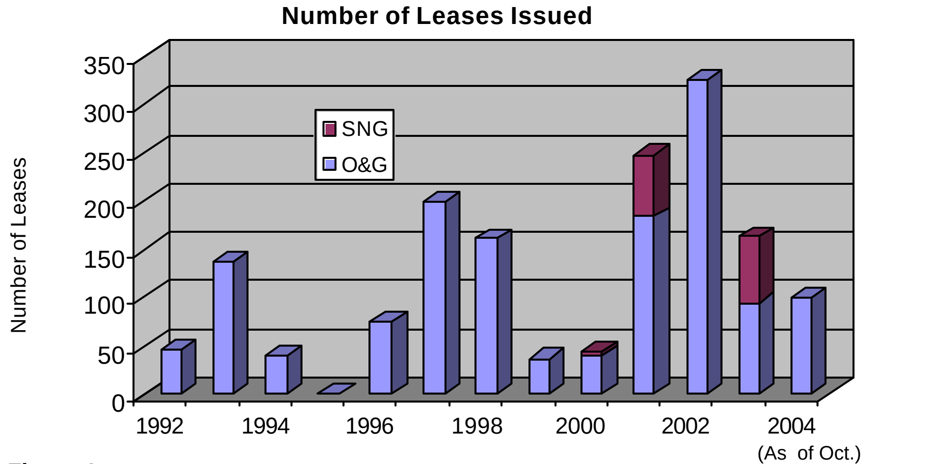


Figure 1

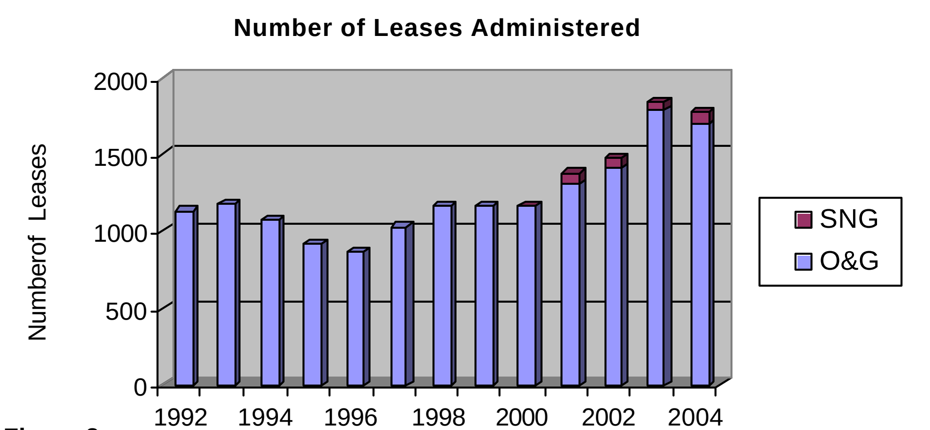


Figure 2

The Division must continue to find and use innovative methods of outreach to attract new companies to Alaska. The Division's outreach programs include a promotional booth at two large oil and gas trade shows, American Assoc. of Petroleum Geologists (AAPG) and North American Prospect Expo (NAPE). This year, the outreach will be particularly focused on the Bristol Bay Basin/Alaska Peninsula lease sale.

- Permitting: Exploration and development activity will also require more time from the Division's permitting group. More projects will have to be reviewed, permitted, and monitored for stipulation compliance. The ongoing push towards North Slope gas commercialization and heavy (viscous) oil development at Prudhoe Bay, Kuparuk River, and Milne Point will increase the permitting and inspection workload due to new developments, pads, pipelines, and infrastructure on the North Slope. As remote fields become developed, greater distances and more complex logistics are involved associated with traveling to locations for inspections. Staff is actively participating in industry and government sponsored programs to extend the winter tundra travel season and evaluate novel options for operating in the summer season.

- High oil and gas prices, declining gas reserves, and gas deliverability are causing an increase in exploration and development 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 default under the terms of the oil and gas leases. Staff are spending larger amounts of time educating and guiding these companies through the permitting process, as well as on oversight and monitoring activities in the field, and formulating performance bonds to lower risk to the state.

- The increase in leasing and licensing for oil and gas in previously non traditional oil and gas areas such as Bristol Bay, Copper River, Nenana and the upper and lower Susitna Valley translates into more involved and time consuming permitting activities involving the applicants, state and local agencies and the public.

- The first coalbed methane unit (the Pioneer Unit) has had several wells drilled to date. A new operator, Pioneer Resources, has assumed control in the unit and is operating two shallow gas pilot projects to help determine if there are economic quantities of coal bed methane in the Mat-Su area. Existing Cook Inlet gas markets and infrastructure improve the economics for shallow gas exploration and production in the area. The Division has undertaken a major public process to involve citizens, recreational users, local government and landowners in the area, in the evaluation of land use and development options, should development occur.

- The Division is actively participating in the NPRA, Colville River, and Point Thomson EIS preparations. Offshore development projects similar to Redoubt in Cook Inlet and McCovey in the Beaufort Sea continue to be a permitting challenge. On a positive note, Armstrong Oil and Gas, Kerr-McGee, and Pioneer have recently been successful last winter in permitting and implementing exploration programs in the Beaufort Sea north of the Kuparuk River Unit. This winter, additional offshore wells are planned. As instructed by the Legislature, DO&G is drafting regulations that would outline public notice procedures for DO&G permits not covered by the ACMP.

- Successful involvement by new explorers has lead to an increased number of lease assignments. We expect this trend to continue. Rapid processing of assignments accelerates the Oil and Gas development process. Figure 3 shows the steady increase in the number of assignments over the past several years.

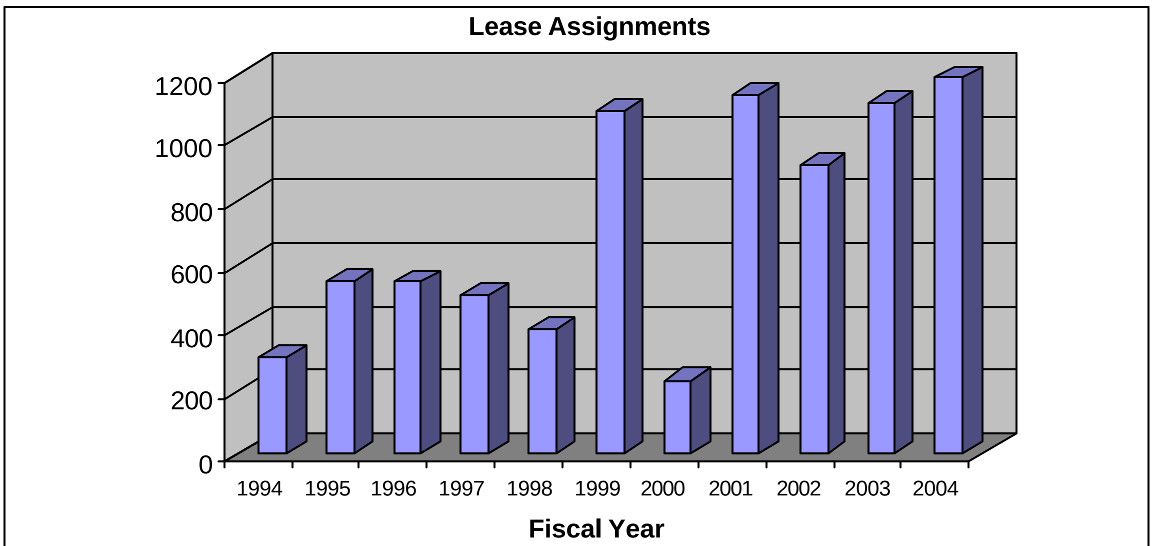


Figure 3

Units

- Units: Oil and gas units and participating areas (PAs) are the operating framework for oil and gas production in Alaska. The Division's continued ability to manage the state's units is critical to the state's economic future. These complex negotiated unit and PA agreements provide the framework for maximizing production with minimum environmental impact while protecting the rights of all parties. In order to offset the decline in production from the main reservoirs at Prudhoe Bay and Kuparuk, an increasing percent of Alaska's oil production will need to come from new and smaller reservoirs, each requiring the formation of a new PA, and in some cases new units. The good news is that these new units and PAs are the result of recent exploration and development activities that in turn led to a significant amount of new production.

- As of October 2004, the Division currently oversees 37 active units and 62 active participating areas. One hundred four (104) unit actions were adjudicated last calendar year. Figures 4, 5, and 6 illustrate the significant long-term increase in units and participating areas and the new production associated with them. Managing the increased workload associated with the increase in unit activity is one of the major challenges facing the Division. Negotiations are longer and with more companies in total are requiring a more proactive effort from the Division as new companies with little or no experience in Alaska become involved in unitization matters.

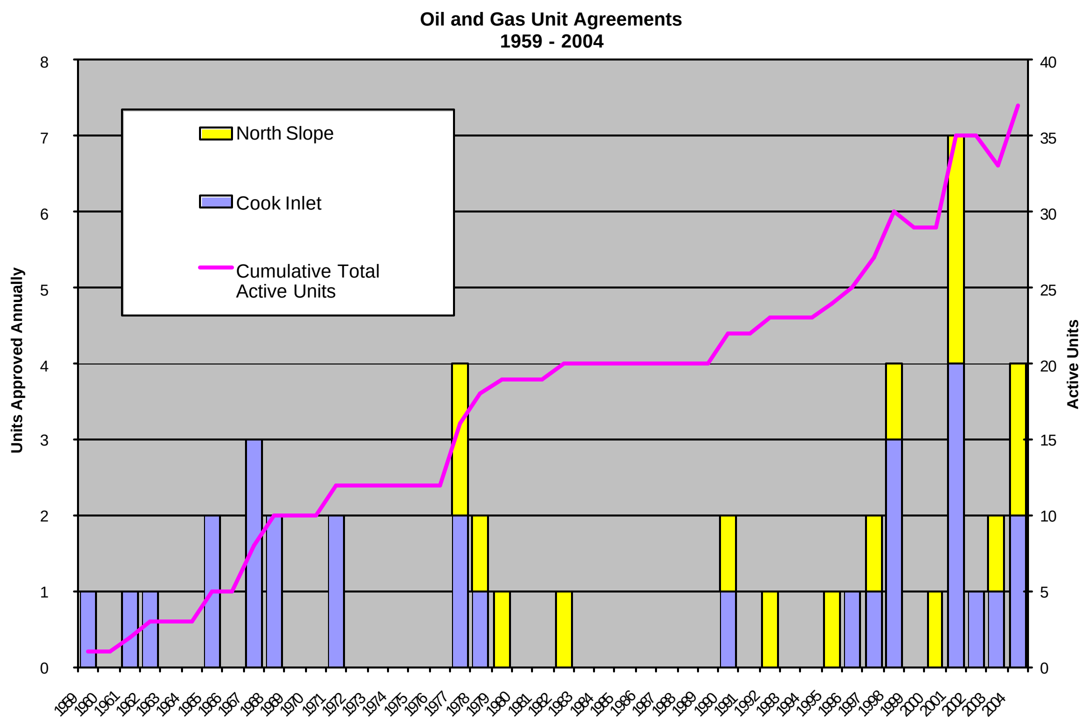
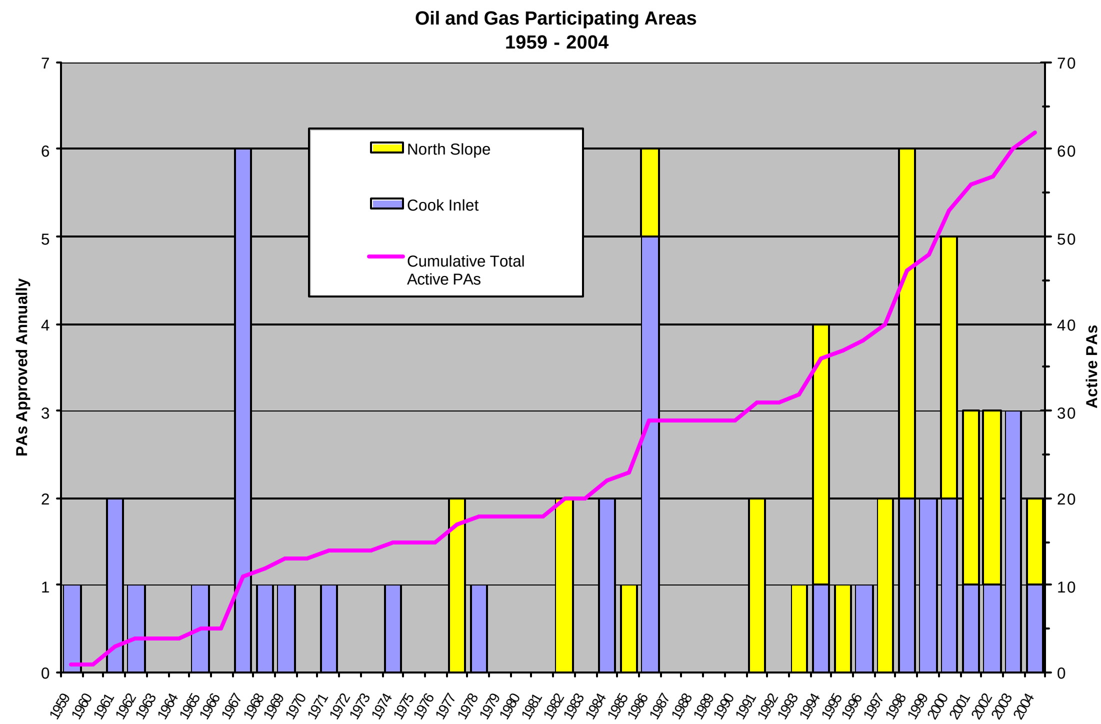


Figure 4



Oil and Gas Participating Areas
1959 - 2004
North Slope
Cook Inlet
Cumulative Total Active PAs
PAs Approved Annually
Active PAs
0
1
2
3
4
5
6
7
10
20
30
40
50
60
70

Figure 5

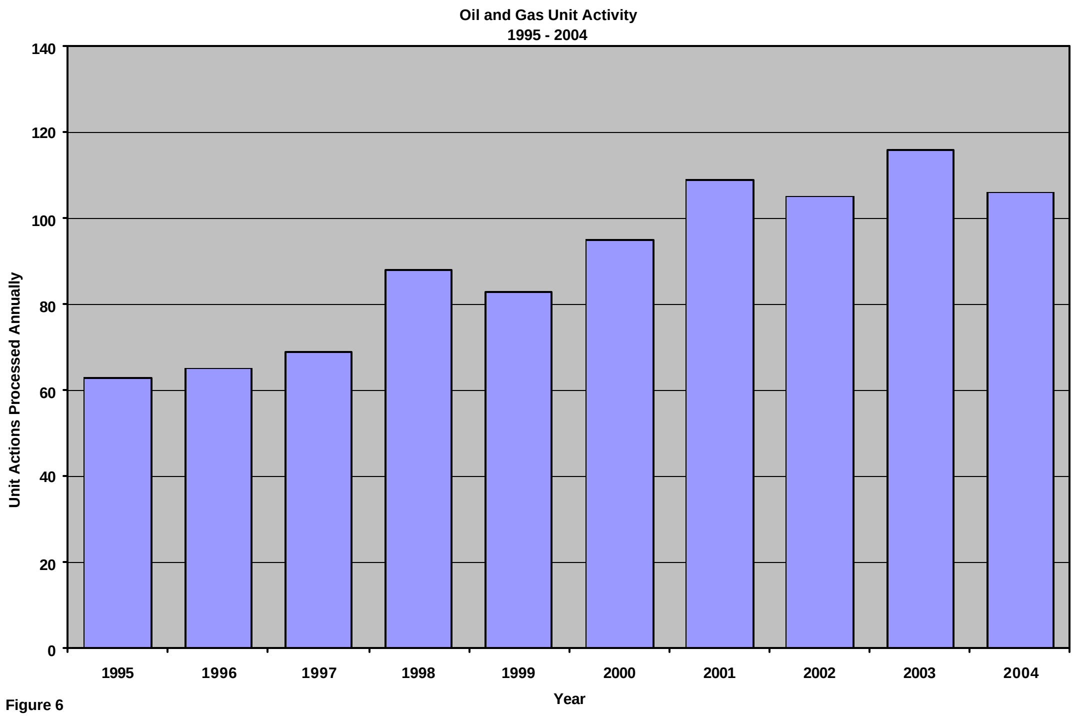


Figure 6

Incremental North Slope Oil Production
Since 1995 by Unit

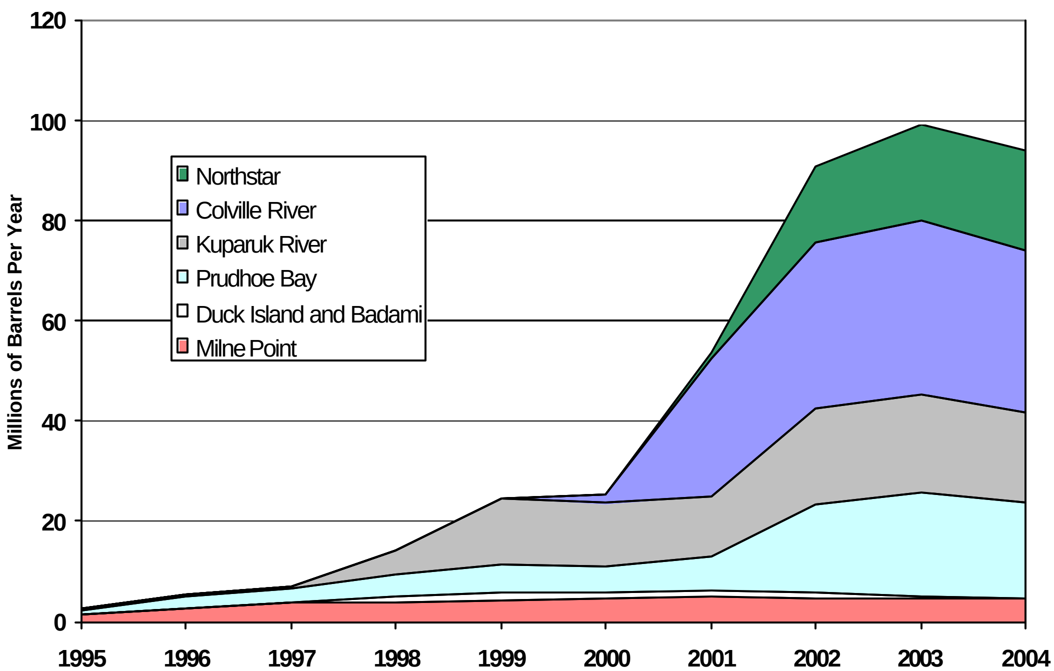


Figure 7

Year	Incremental Oil Production Since 1995 (Millions of Barrels)	Total North Slope Oil Production (Millions of Barrels)	Percentage of Incremental to Total Oil Production
1995	2.578	550.928	0.5%
1996	5.231	529.395	1.0%
1997	6.945	499.146	1.4%
1998	14.268	456.849	3.1%
1999	24.509	404.554	6.1%
2000	25.185	376.499	6.7%
2001	53.542	368.483	14.5%
2002	90.556	371.794	24.4%
2003	98.962	368.110	26.9%
2004 est	93.833	343.144	27.3%

Figure 7A

- Oil and gas production from satellite pools and new field start-ups is becoming an increasingly important part of North Slope output. In 2004, over 27 percent of ANS output was from new pools, new participating areas, and expansion areas of older participating areas that began production since 1995. (See Figure 7and Figure 7A.)
- Additionally, relatively high oil and gas prices and the potential for a North Slope gasline are leading to much greater activity in the Division and in the field. ConocoPhillips and BP are both projecting little or no overall North Slope oil production decline. BP has publicly stated that they have lowered operating costs at the PBU from $3.00 per barrel to $1.50 per barrel, which will make many more projects, such as, Polaris, Borealis, and Orion economic within that unit.

- Moreover, the equalization of the interests in the Prudhoe Bay and Kuparuk Units has spurred an increase in the activity for satellite developments and gas-related projects in the units. As a result of a number of successful "satellite" wells, the number of unit actions has increased. Although they involve fewer barrels than flow from the major reservoirs at Prudhoe Bay and Kuparuk, many of these actions are extremely complex. Much of the new activity occurs at the edges of existing units or at the conjunction of two (or more) units and involves commingling of different production streams owned by different parties or having different royalty terms through common facilities using facility sharing agreements.

- In connection with ongoing negotiations under the Stranded Gas Development Act unit managers are identifying unit and lease terms (such as point of sale/taking, field costs, gas conditioning obligations and fees, and gas balancing) that potentially will need to be harmonized with any proposed new fiscal system.

<u>Resource Evaluation</u>

- <u>Areawide Oil and Gas Lease Sales:</u> The resource evaluation section will continue to provide geological, geophysical and engineering support for the five annual areawide oil and gas lease sales on the state's current master lease sale schedule. Assessments of two lease sale areas (Alaska Peninsula, North Slope Foothills) will likely require substantially more studies to support petroleum assessments than will the others as the Division spins-up efforts to better define the basins' petroleum potential with the sedimentological, structural and petrographic skills now residing in the Division.

    - <u>Alaska Peninsula competitive areawide oil and gas lease sale:</u> Although the first of this series of lease sales is scheduled for the fourth month of FY06, considerable last-minute effort will be required to incorporate the results of the FY05 and very early FY06 summer geologic field programs into the assessment of the area's petroleum potential. With only the summers of 2004 and 2005 available to collect field data prior to this sale, it's conceivable that this late information will be essential to establish final lease terms and stipulations. Assimilation of this information into the basin assessment will continue after the October 2005 lease sale in preparation for follow-up lease sales. Others involved in the basin assessment include the Alaska Division of Geological and Geophysical Surveys (DGGS), the

Bristol Bay Native Corporation and the U.S. Geological Survey (USGS). The U.S. Minerals Management Service might also become involved as it reassesses the petroleum potential of the offshore portion of the Bristol Bay Basin and the possibility of again offering leases in the adjacent offshore federal waters now subject to a leasing moratorium.

- North Slope Foothills areawide oil and gas lease sale: This large gas-prone area remains essentially unexplored despite the early high interest reflected by the initial foothills lease sale. The failure to timely resolve the gas pipeline issue resulted in return of many of the leases. Recent congressional action and negotiations with stranded gas owners and pipeline companies have been encouraging and renewed interest in the foothills area is anticipated. Collaborative field work in the area by the Division, the DGGS and the USGS during recent years has resulted in collection of baseline geological data that should be expanded, compiled and published in order to attract investors to the area. That process will be undertaken during FY06.

- Resource Allocations: During the first half of FY06 the Division will be involved in final reallocations for two major North Slope production units; Alpine and Northstar. Each process will require construction and analyses of a full-field reservoir simulation model derived from an integrated geological, geophysical, and engineering database that might contain millions of three-dimensional cells. Virtually all resource evaluation section staff will be involved in these determinations during the first half of FY06.

  - Alpine Field: The final history-based allocation of production to the state, the Arctic Slope Regional Corporation (ASRC) and the lessees is due in late 2005. Because of the large volumes of production and reserves, the variable State of Alaska and ASRC lease ownership, variable royalty rates and the possibility (albeit remote) that the field might extend into the NPR-A by that time the determination of equitable allocations will require preparation of a highly detailed reservoir model.

  - Northstar Field: The final allocation of the Northstar field reserves is due at approximately the same time as is the Alpine reallocation. As with the Alpine determination, the Northstar reallocation will require compilation of a full-field reservoir simulation model based in part upon well production histories. Because both federal and state leases with differing leasing terms are included in the Northstar unit the reallocation will involve the U.S. Minerals Management Service as well as the Alaska Oil and Gas Conservation Commission.

- Point Thomson Reservoir and Economic Model: There might also be a need to continue modeling the Point Thomson reservoir as that unit approaches development and the development scenario most beneficial to the state and other stakeholders is determined. This, too, will likely involve construction and analyses of a full-field reservoir simulation model similar to those needed for the Alpine and Northstar re-determinations, but with less well data. The derived information serves as the cornerstone for subsequent commercial analyses of the various production scenarios being considered.

- Lease sale and Unit Administration Support:

  - The resource evaluation section has added additional skilled staff providing substantial expertise in the fields of structural geology, stratigraphy, petrography, seismic exploration and cartography/GIS. Addition of this knowledge will allow the Division to undertake and, for the first time in many years, publish more detailed assessments of the potential of the state's petroleum basins and lease sale areas. These published studies will be initiated in FY06 as part of the drive to attract additional investors to the Alaska scene.

  - The arrival on the Alaska scene of smaller independent operators is evidence of the success of several of the state's exploration and development incentive programs. However, inasmuch as many of these new players are unfamiliar with Alaska statutes and regulations, the staff has to spend substantial additional time ensuring that proposals, applications and activities conform to the law. We expect this practice to continue throughout FY06.

  - As in the recent past, the primary terms of many leases are approaching expiry and, in an effort to extend the terms of their leaseholds, lessees are more frequently submitting proposals to unitize leaseholds or to alter the boundaries of units and participating areas. Each of these proposals must be carefully evaluated by resource evaluation staff in order to protect the state's interest by securing appropriate commitments from the lessee.

- Public Outreach: The Division is a key player in the administration's program to attract new players to Alaska's oil patch.

  - The Division's award-winning (1st place statewide Digital Cartographic Project) Alaska Peninsula and Bristol Bay Basin data package released as a three-CD set in 2004 proved to be a highly successful means of disseminating information about that lease sale area to the public. Similar informational releases are planned for the north Alaska and Cook Inlet/Kenai Peninsula areas to further stimulate industry's recently increased interest in both areas.

  - The database management group within the resource evaluation section provides virtually all of the mapping, graphics, software and conventional and web-interfaced publication support for the Division. It will continue to do so throughout FY06 with a core responsibility being development of the north Alaska and Cook Inlet/Kenai Peninsula data releases and technical publications intended to provide information to those interested in adding Alaska petroleum exploration programs to their company portfolios.

  - The resource evaluation section will continue to promote exploration proposals such as the Beaufort Sea stratigraphic test well and to provide technical information to support the state's efforts to promote exploration in the Arctic National Wildlife Refuge and continued exploration and development of the National Petroleum Reserve – Alaska.

Commercial

- Royalty reopeners and the value of North Slope royalty oil: In the early 1990s, the major North Slope oil producers and the state entered royalty settlement agreements that tied each producer's royalty obligation to a market basket of seven crudes and provided for deductions for marine transportation, pipeline tariffs, and other adjustments. Subsequently, the settlements with BP and ARCO (now ConocoPhillips) have been occasionally amended to change the formulas used to calculate the lessees' royalty payments. In late FY01, the Division compared the amounts being paid under these formulae to market value as measured by ANS sales contracts and actual receipts and found the formulas wanting. Consequently, the Division "reopened" the royalty settlement agreements with BP, ExxonMobil, and ConocoPhillips to renegotiate a valuation methodology that better reflects the market value of ANS. The conclusion of the BP and ConocoPhillips reopeners in FY03 resulted in payment of an additional $11 million by BP and ConocoPhillips in retroactive adjustments. Additionally, the position of the state in the future will be improved by new prospective methods incorporated in the royalty settlement agreements.

- Lack of progress in negotiations with ExxonMobil through FY04 has compelled the Division to proceed to arbitration on two fronts: the value of the state's royalty oil in its destination on the West Coast and the amount ExxonMobil may deduct for marine transportation. This arbitration process is now heading for hearings before two arbitration panels in early FY05. The Division's resolve in this matter, combined with the in-house legal talent and outside experts hired by the Department of Law, will, hopefully, lead to a successful outcome for the State. If so, ExxonMobil will pay the State for underpaid royalties from January 2001 to the present. At the conclusion of the arbitration process, the decision of the arbitration panel will bind the State and ExxonMobil to a new prospective method for calculating royalty value in the future. The successful completion of the earlier reopeners illustrates how the state has benefited dramatically from pro-active management of its royalty revenues.

- Royalty-in-kind sales: The Division continues to supply royalty in-kind (RIK) oil to the Alaska refining industry. In FY03, the Division sold 38 percent of ANS royalty oil in-kind. In FY 2004 that percentage increased to 51 percent. The commercial section concluded negotiations with Flint Hills Resources (FHR), the new owner of the Williams' refinery in North Pole. These negotiations incorporated innovative terms brought to the table by the Governor and should yield a substantial premium to the state over what the state would have received for its royalty oil if the state kept its royalty in-value. The commercial section is also tasked with monitoring the other terms of the sale including the promise by FHR to sell wholesale gasoline in Anchorage and Fairbanks at the same posted price. The FHR contract has resulted in the State receiving an additional $17.4 million for the period of April to September 2004. This amount is subject to change if the State is successful in the Exxon Reopener and BP Transportation audit.

The commercial section continues to evaluate future RIK oil and gas sales and provides advice and recommendations to the commissioner on potential sale terms.

- Alaska North Slope Gasline: The Division staff continues to devote a significant amount of time to promote the ANS gas project. For example, the Division has devoted at least 7905 staff hours to the gas pipeline project between February and October 2004. Staff has developed in-house expertise in the marketing and valuation of gas and gas liquids in the United States and Canada, transportation economics, and rate-making. The section also contracted for major studies in gas price forecasting, royalty valuation, and commercial financing. They have supported both the Governor's Gas Cabinet and contributed to the Stranded Gas Working Group to formulate the state's position in developing a form stranded gas contract.

- The section also contracted for major studies in gas price forecasting, royalty valuation, and commercial financing. They have provided technical support to DNR management, the Governor, the Gas Cabinet, and the Congressional Delegation, and contributed to the Stranded Gas Working Group to formulate the state's position in developing a stranded gas contract with the producers and other potential pipeline owners.

- Unit and audit support: The commercial section works with the units and resource evaluation sections in developing commercial terms for lease sales and creating appropriate incentives to encourage the formation, expansion, and timely development of units and participating areas. The section also supports the audit staff on issues related to the market of Alaska's oil and gas, the cost and profitability of marine and pipeline transportation, and other economic indicators.

- Legislative support: The commercial staff also provides analysis and data for the department either in support of the administration's legislative initiatives or to respond to information requests from Legislatures on bills that may impact oil and gas development.

Audit

- The Legislature authorized the Division to conduct royalty and net profit share lease audits in a statutory amendment effective July 1, 2003. The Department of Revenue had previously performed such audits, with substantial assistance from the Division. Thus, FY04 was the first year that the Division was authorized to independently plan, perform and resolve royalty and net profit share audits. The audit group, which had been part of the commercial section, was reorganized into a separate section to take advantage of its new authority and capabilities. This has resulted in an accelerated process which is beneficial to both the state and lessees. For example, DNR has been able to complete Cook Inlet audits within a four to five month period compared to the previous two to three year period prior to the Legislature delegating single audit authority to DNR.
- The Division entered into a three-year contract with the U.S. Minerals Management Service to perform audits of federal oil and gas leases in Alaska. The audit section hired a new auditor, who was exclusively engaged in audits of federal leases in Cook Inlet during FY04. The State receives between 50-90 percent of the audit recoveries obtained by the Division's federal auditor, depending on where the federal lease is located. Additional Cook Inlet audits are planned for FY05 and FY06.

- The audit section was extensively engaged in an audit of Exxon's marine transportation costs during FY04, and continues to devote substantial effort to the Exxon royalty reopener. An arbitration hearing concerning the company's marine transportation costs is likely to occur before the end of FY05. The audit section also supports the Division's royalty reopeners with other major North Slope producers.

- The audit section recovered approximately $17 million in audit claims during FY04. (See Figure 8.) The audit section also recovered another $3.5 million in audit claims during the first two months of FY05.

Audit Section

Royalty Revenues Recovered in Audits

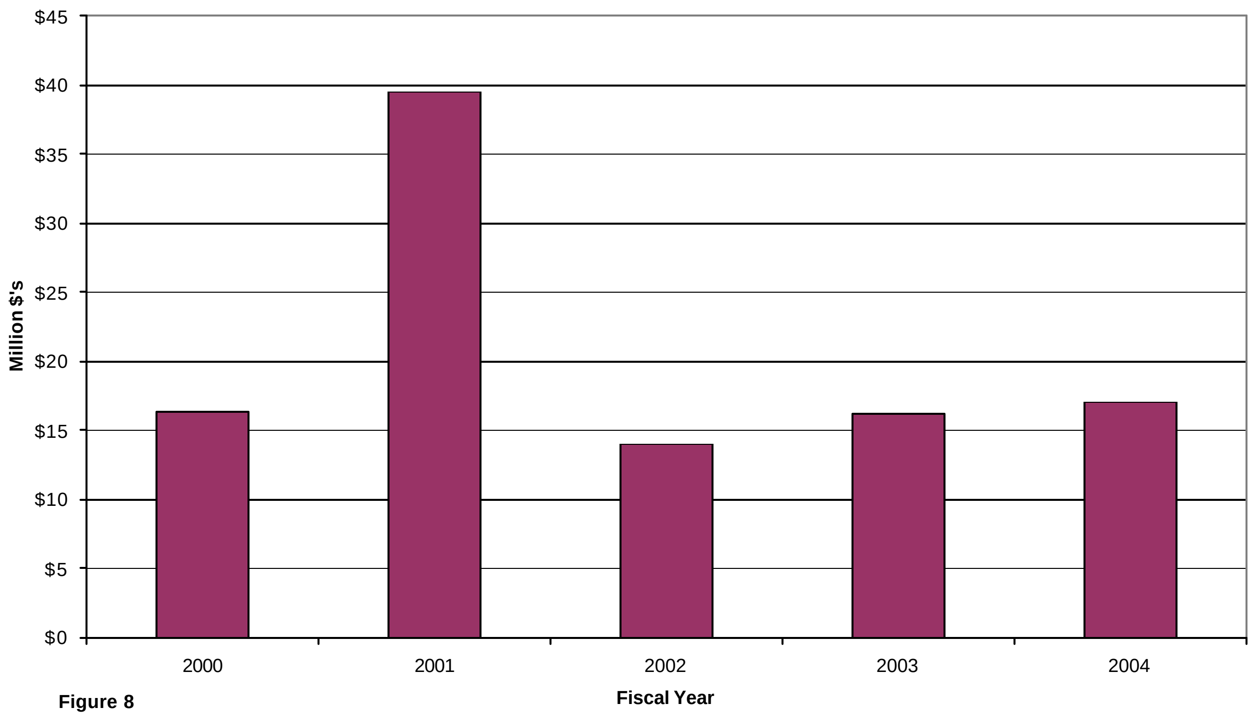


Figure 8

Royalty Accounting

- Continue to accurately invoice royalty payments to the state. During FY04, the Royalty Accounting Section accurately invoiced $616.7 million to the state royalty-in-kind purchaser and processed and analyzed an additional $801.3 million in royalty-in-value, net-profit share lease, federal payments, rents, bonuses, and other fees for a total $1,418 million.

- Redesigning and implementing the new oil and gas royalty accounting system (OGRA): In September 2002, the Division completed both an internal and an external review of the OGRA. These reviews determined that the state could dramatically increase the value of OGRA by redesigning the system. The redesign of the system will allow the state to gain much greater efficiency out of the system by eliminating duplication with other state systems and, even more significantly, maximize the ability to use of the data for audit and commercial analyses. During FY03, the Division obtained CIP funds for this project and in FY04 will contract out this 18-month project. These funds will be used to complete the design and actual programming of OGRA. Additional funds are being requested to complete a Division-wide database using the OGRA data model.

Miscellaneous

Litigation and appeals will remain a significant component of the Division's workload, diverting resources needed to accomplish the Division's technical and commercial mission. This has become the norm rather than the exception.

- The Division must continue to defend its leasing decisions against lawsuits by non-governmental organizations including environmental groups.
- Moreover, the Division has recently seen increased scrutiny by environmental litigants on its permitting actions.

Significant Changes in Results to be Delivered in FY2006

Due to competitive areawide leasing and the addition of the exploration license program it currently takes the Division many months to conduct title reviews and issue leases. Oil and gas activities in the populated Mat-Su and Kenai areas has increased the public attention on our permitting and inspection program. The Division's goal is to be able to issue leases 3-4 months following a lease sale to be more proactive in conducting inspections of surface activities on the Kenai Peninsula and in the Mat-Su Valley, and actively conduct a public outreach program.

1) Lease sale activity in the Bristol Bay and Alaska Peninsula area will require additional time and travel from members of the Division's asset teams.
2) Royalty valuation reopeners, audit of leases not covered by royalty settlements, pipeline tariff evaluation, analysis of North Slope gas fiscal systems, long term Cook Inlet gas supply and deliverability forecasts and RIK oil and gas sales will require additional time of technical and commercial staff and well as support staff.
3) The Division and ExxonMobil have reopened an existing royalty settlement agreement and are engaged in arbitration proceedings, which will result in a revision of the methodology used to calculate ExxonMobil's royalty obligation to the state. These proceedings are scheduled for FY05 and entail the extensive use of experts, voluminous document review, and negotiations and arbitration.
4) Oil and gas data and general information are being made available to the public and other agencies on the Division's website. Fewer printed publications will be available over the counter.
5) Professional and support staff will participate in more royalty and net profit share audits, evaluate Cook Inlet oil and North Slope gas royalty reduction requests and rulings, analyze Cook Inlet gas valuation proposals and options for storage of Cook Inlet gas, and work with lessees to commercialize oil on the North Slope.
6) Develop and maintain staff which professionals meet or exceed the best in oil industry. The Division has been very fortunate to be able to add a set of critical skills to the technical staff, skills and knowledge that will allow much more comprehensive and detailed assessments of the petroleum potential of sedimentary basins across the state and improved dissemination of those assessments through scientific publications. The addition of three geologists, all with substantial and recent industry experience, will provide the Division with recognized expertise in the specialties of stratigraphic, sedimentary, structural and petrographic geology. All three also have significant project and program management experience. The Division's geophysical staff now numbers three following employment of a geophysicist proficient in seismic data processing and interpretation, including analyses of 3-D attribute processing. Although limited in number, the Division now has a scientific asset team the equal of any and superior to most of those found in the private sector. On the Commercial side the Division has filled its vacant petroleum investment manager position with a highly experienced gas marketer.
7) Assuming that a contract is approved under the Stranded Gas Development Act in FY05, considerable effort is still required to draft the detailed accounting and commercial structure agreements that will be annexes to the contract.

The Division continues to manage costs by limiting the amount of travel to the North Slope for public hearings; conducting hearings via teleconference; relying only on the Division's website to disseminate information; eliminating the printing of excess copies of the Five-Year Oil and Gas Leasing Program.

Major Component Accomplishments in 2004

1) In FY04, petroleum revenue collected by the Departments of Natural Resources and Revenue accounted for approximately 87 percent of general fund unrestricted revenue. Total royalty, settlement, rental, federal share, and bonus revenue collected by DNR was $1.418 billion. Distribution was as follows: $1,056.2 million General Fund, $354.7 million Permanent Fund, and $7.1 million School Fund. Revenue increased 14.3 percent from FY03 to FY04, largely due to the increased price of oil.

2) In FY04, resolved a major audit dispute with Unocal on the question of royalty gas valuation for gas supplies for the for the Agrium fertilizer plant in Nikiski. The Division also resolved a major North Slope net profit share audit with BP, and closed a smaller audit of royalty gas values in the Beluga River Unit. In the first two months of FY05, the Division resolved 11 years of oil and gas audits with Shell.

3) Continued a multi-million dollar royalty settlement agreement reopener arbitration with ExxonMobil.

4) Provided commercial, technical, and policy support to the Governor's gas pipeline team and the Legislature's gas pipeline committee.

5) Negotiated a long term ANS royalty oil sales contract. The contract was approved by the Alaska Royalty Oil and Gas Development Board and the Legislature. This has resulted in the State receiving $17.4 million.

6) Managed 37 active units and 62 participating areas (PAs) within those units. Management of the units and PAs included negotiation of new unit agreements; negotiation of expansions and contractions to units and PAs; tract allocation and equity determinations; negotiation and monitoring of facility-sharing and production commingling agreements for the new PAs; review of plans of exploration, development, and operation for units and PAs; DNR representation before various state and federal agencies; and response to inquiries from the Legislature, oil and gas industry, and public. Unit and PA activity levels have increased due to the development of satellite pools and inclusion of royalty owners other than the State of Alaska.

7) Conducted geological reviews of virtually all unit and participating area management functions accomplished by the Division's unit administration section. Many of these functions required determination or verification of tract allocations for equitable revenue distribution to the state and other stakeholders.

8) Conceived and promoted concept of an industry-operated Beaufort Sea stratigraphic test well offshore the ANWR for the purpose of collecting subsurface information to better characterize the petroleum potential of the eastern ANWR 1002 Area and the eastern Beaufort Sea.

9) With very little lead time collaborated successfully with the Bristol Bay Native Corporation to compile geological information essential to the preliminary evaluation of the petroleum potential of the Alaska Peninsula areawide lease sale area and to depict and disclose that information to the public in a three-disk CD publication.

10) Prepared a Matanuska-Susitna Valley lease and land ownership atlas to provide information to support the conventional oil and gas leasing and shallow natural gas leasing programs in that area.

11) With the Division of Geological and Geophysical Surveys conducted two field programs on the Alaska Peninsula to gather geological information critical for evaluation of the area's hydrocarbon potential.

12) In similar fashion, collaborated with the Division of Geological and Geophysical Surveys to continue the resource assessment field program in the North Slope foothills lease sale area and arranged for continued support and participation by interested oil and gas companies.

13) Recruited and employed additional geological, geophysical, reservoir engineering, commercial, and technical support staff with competent in disciplines such as sedimentology, petrography and structural geology; seismic processing and interpretation; petroleum reservoir engineering and GIS to supplement existing staff and to provide essential research capability necessary to support the Division's expanding role as a source of technical information.

14) Continued "partnering" with the federal Minerals Management Service in management and oversight of jointly-owned lands in the Northstar and Cosmopolitan Units. 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 Peninsula region. In similar fashion, the Division worked in close partnership with the Arctic Slope Regional Corporation to ensure continued development of the Alpine field and NPRA acreage and with the CIRI at Deep Creek and Ninilchik Units.

15) Participated in interdisciplinary meetings of state resource agencies (AOGCC, OPMP, OHMP, ML&W, DEC, and F&G) addressing issues such as well control and the critical issues of early North Slope tundra travel and the abbreviated winter drilling seasons.

16) Partially funded and participated in geological field programs investigating the hydrocarbon potential of the NPRA and North Slope Foothills in support of lease sales and the North Slope gas pipeline supply studies. Planning for similar fieldwork has been undertaken to support the Alaska Peninsula/Bristol Bay Basin sale resource assessment.

17) Four lease sales held, resulting in 630,317 acres being leased and the state receiving $7,680,712 in bonus bids.

18) Issued 98 oil and gas leases.

19) Issued two exploration licenses

20) Processed 1185 oil and gas lease assignments.

21) Worked extensively with affected landowners who own property overlying state oil and gas leases proposed for exploration and/or development.

22) Worked with the Legislature to amend AS 38.05.180 to allow DNR to change the Five-Year Oil and Gas Lease schedule on a more timely basis with legislative notification. The benefits of this amendment include giving the state the flexibility to respond quickly to changing industry, market, and other conditions; more quickly bringing new areas on-line for leasing, resulting in additional revenues for the state; and retaining legislative review of the lease sale program.

23) Worked independently on audit planning, performance and resolution of audit claims under the Legislature's transfer from the Department of Revenue to the Department of Natural Resources of the authority to conduct audits of revenues from royalty and net profit shares from state oil and gas leases and costs associated with exploration incentive credits granted under AS 38 and AS 41. This transfer of audit responsibilities has produced greater government efficiency with respect to royalty and net profit share issues.

24) Worked with the Legislature to obtain legislative approval and ratification of a contract negotiated between the State of Alaska and Flint Hills Resources for the sale of the state's royalty oil for a term of ten years.

25) Provide technical support to the Legislature and Administration regarding shallow natural gas issues and legislation. Worked with the Legislature on HB531 which repealed the shallow natural gas leasing program and provided additional protection on fresh water from potential impacts from coalbed methane production.

26) Continued expansion of the content of the Division's website in order to support oil and gas programs. A major addition to content during the past year is the suite of unit maps with supporting lease information. Major web-interfaced informational data packages now being undertaken include Alaska Peninsula/Bristol Bay Basin, Mat-Su Valley, and Kenai Peninsula "atlases" to support conventional and shallow natural gas leasing programs in those areas. The website has proven to be a successful means of distributing notices, decisions, and general oil and gas information to industry and the public and the demand for additional public information continues to grow.

27) Participated in numerous negotiating sessions and discussion groups with the Gasline sponsor group and interested pipeline companies in connection with applications and expressions of interest submitted under the Stranded Gas Development Act (SGDA).

28) Participated with staff from Departments of Law and Revenue and hired consultants to formulate state positions papers and analyze options available to the state with respect to ongoing negotiations under the SGDA.

29) Supervised several consultants hired by the state to formulate options for SGDA negotiations and analyze proposals submitted under the SGDA.

30) Built a complex, robust economic model to analyze gas sale and pipeline options jointly with staff from Department of Revenue.

31) Worked closely with new Cook Inlet and North Slope Explorers including Pelican, Alliance, Pioneer Oil & Gas, Pioneer Natural Resources AVCG, Kerr-McGee, and Armstrong to facilitate their exploration activities.

32) Preparation and dissemination of an information package and facilitation of a conference hosted by the Governor providing independent operators comprehensive information and guidelines regarding exploration, development and production activities in Alaska. Contributed to the study that resulted in a longer tundra opening on the North Slope, thereby extending the exploration season in that region.

33) With help of consultants, prepared a facility sharing study as a primer for North Slope explorers. Follow-up on this first study is planned in FY05.

Statutory and Regulatory Authority

AS 31.05.035
AS 38.05.020
AS 38.05.030
AS 38.05.035
AS 38.05.130
AS.38.05.131
AS.38.05.134
AS 38.05.135
AS 38.05.137
AS 38.05.145
AS 38.05.177
AS 38.05.180
AS 38.05.181
AS 38.05.182
AS 38.05.183
AS 38.06
AS 41.06
AS 41.09
AS 44.19
AS 46.40
11 AAC 02
11 AAC 03
11 AAC 04
11 AAC 82
11 AAC 83
11 AAC 89
11 AAC 96.210 - 96.240
11 AAC 110
11 AAC 112

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Oil & Gas Development
Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	5,305.9	6,887.7	7,847.0
72000 Travel	123.8	178.7	182.7
73000 Services	663.8	885.1	809.1
74000 Commodities	277.1	281.3	298.2
75000 Capital Outlay	70.8	33.6	33.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**6,441.4**	**8,266.4**	**9,170.6**
Funding Sources:			
1002 Federal Receipts	112.5	146.6	150.0
1004 General Fund Receipts	3,939.4	4,810.6	5,647.6
1005 General Fund/Program Receipts	62.0	52.5	53.9
1007 Inter-Agency Receipts	155.8	0.0	0.0
1055 Inter-agency/Oil & Hazardous Waste	0.2	0.0	0.0
1061 Capital Improvement Project Receipts	115.2	15.7	15.7
1105 Alaska Permanent Fund Corporation Receipts	1,866.6	2,743.5	2,799.9
1108 Statutory Designated Program Receipts	0.0	150.0	150.0
1153 State Land Disposal Income Fund	189.7	347.5	353.5
Funding Totals	**6,441.4**	**8,266.4**	**9,170.6**

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	54.6	54.6	54.6
Unrestricted Fund	68515	1,417,827.9	1,872,298.3	1,433,918.7
Unrestricted Total		**1,417,882.5**	**1,872,352.9**	**1,433,973.3**
Restricted Revenues				
Federal Receipts	51010	112.5	146.6	150.0
Interagency Receipts	51015	155.8	0.0	0.0
General Fund Program Receipts	51060	62.0	52.5	53.9
Statutory Designated Program Receipts	51063	0.0	150.0	150.0
Capital Improvement Project Receipts	51200	115.2	15.7	15.7
Permanent Fund Earnings Reserve Account	51373	1,866.6	2,743.5	2,799.9

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Interagency Recs./Oil & Hazardous Waste	51395	0.2	0.0	0.0
State Land Disposal Income Fund	51434	189.7	347.5	353.5
Restricted Total		**2,502.0**	**3,455.8**	**3,523.0**
Total Estimated Revenues		**1,420,384.5**	**1,875,808.7**	**1,437,496.3**

Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2005 Management Plan	**4,863.1**	**146.6**	**3,256.7**	**8,266.4**
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	23.4	0.7	8.3	32.4
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	89.0	2.0	36.1	127.1
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	0.7	18.0	18.7
Proposed budget decreases:				
-Second Year Fiscal Note: Conventional and Non-conventional Gas Leasing CH49 SLA2004 HB531	-252.6	0.0	0.0	-252.6
Proposed budget increases:				
-Gasline Commercialization and Expanding Investment in Exploration	978.6	0.0	0.0	978.6
FY2006 Governor	**5,701.5**	**150.0**	**3,319.1**	**9,170.6**

Oil & Gas Development
Personal Services Information

Authorized Positions	FY2005 Management Plan	FY2006 Governor	Personal Services Costs	
			Annual Salaries	5,670,939
Full-time	76	80	COLA	47,866
Part-time	0	0	Premium Pay	41,938
Nonpermanent	4	3	Annual Benefits	2,548,974
			Less 2.53% Vacancy Factor	(210,117)
			Lump Sum Premium Pay	0
Totals	**80**	**83**	**Total Personal Services**	**8,099,600**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	3	0	0	0	3
Accountant IV	1	0	0	0	1
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Accounting Tech II	3	0	0	0	3
Accounting Tech III	1	0	0	0	1
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	4	0	0	0	4
Administrative Manager II	1	0	0	0	1
Analyst/Programmer IV	4	0	0	0	4
Cartographer II	3	0	0	0	3
Cartographer IV	1	0	0	0	1
Chief Petroleum Geologist	1	0	0	0	1
Commercial Analyst	5	0	0	0	5
Deputy Director	1	0	0	0	1
Division Director	1	0	0	0	1
Economist II	1	0	0	0	1
Geologist II	1	0	0	0	1
Geologist III	1	0	0	0	1
Land Surveyor I	1	0	0	0	1
Micro/Network Tech I	1	0	0	0	1
Natural Resource Mgr I	1	0	0	0	1
Natural Resource Mgr II	1	0	0	0	1
Natural Resource Spec I	2	0	0	0	2
Natural Resource Spec II	2	0	0	0	2
Natural Resource Spec III	4	0	0	0	4
Natural Resource Spec IV	1	0	0	0	1
Natural Resource Spec V	2	0	0	0	2
Natural Resource Tech I	1	0	0	0	1
Natural Resource Tech II	5	0	0	0	5
Natural Resource Tech III	1	0	0	0	1
Operations Res Anl I	1	0	0	0	1
Petroleum Geologist I	5	0	0	0	5
Petroleum Geologist II	3	0	0	0	3
Petroleum Investments Manager	1	0	0	0	1
Petroleum Land Manager	3	0	0	0	3
Petroleum Manager	1	0	0	0	1
Petroleum Market Analyst	1	0	0	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Petroleum Reservoir Engineer	2	0	0	0	2
Revenue Auditor IV	3	0	0	0	3
Revenue Auditor V	3	0	0	0	3
Student Intern I	3	0	0	0	3
Totals	**83**	**0**	**0**	**0**	**83**