

State of Alaska FY2002 Governor's Operating Budget

Department of Law
Oil & Gas Legal Services
Component

Component: Oil & Gas Legal Services

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Component Mission

Mission statement appears at the department summary and BRU level.

Component Services Provided

The legislature first identified the Oil and Gas Legal Services component of the Oil and Gas Litigation and Legal Services BRU as a separate allocation in FY1999. Prior to that, the services covered by the component were an undifferentiated part of the Oil and Gas Litigation BRU. The component covers services performed by attorneys and staff in the Oil, Gas, and Mining section of the Department of Law that fall within one or more of the following categories:

- A. General advice to agencies on matters in which no litigation is anticipated.
- B. Assistance to agencies in drafting, editing, or reviewing legislation or regulations in a non-litigation context.
- C. Assistance to agencies in negotiating unit agreements or other contracts.

These activities conserve state revenues by clarifying processes and policies to avoid later disputes, which may result in litigation. As discussed in the Oil and Gas Litigation and Legal Services BRU Issues section, the state has been improving its in-house auditing and litigation capabilities.

TAX-RELATED SERVICES

Department staff provides the Department of Revenue day-to-day legal advice. Topics include interpretation of existing regulations and statutes, drafting of new regulations, coordination to insure consistent application of department policy, and general advice regarding current legal developments.

ROYALTY-RELATED SERVICES

The department provides the Department of Natural Resources with day-to-day legal advice that supports royalty collection efforts, but does not itself constitute litigation-related services. The services include advice on interpretation of statutes and regulations to ensure uniform application of policy, advice on drafting new regulations and amending old regulations, and advice on procedural questions regarding royalty reports and audits.

PIPELINE-RELATED SERVICES

Department attorneys are responsible for monitoring compliance with the 1985 Trans-Alaska Pipeline System (TAPS) settlement and, if necessary, challenging TAPS tariff filings. These cases can be worth millions of dollars to the state annually. The section also provides general legal advice and assistance to the Department of Natural Resources' State Pipeline Coordinator's Office (SPCO) on pipeline-related matters, including advice on regulations, communications, and procedures.

RESOURCE DEVELOPMENT

As part of resource development, the Department of Natural Resources administers the oil and gas leasing program. Although the revenue generated by the bonus bids is not large, the program lays the foundation for exploration and development of the state's hydrocarbon resources. Only with a successful leasing program can the revenue base from tax and royalties be sustained. The lease sale program has been challenged in the past and considerable Department of Law attorney time and effort has been and will continue to be expended to defend the program.

Department staff also handles problems with North Slope leases where the state's record as a lessor is at issue. Future resource development activities, including the development of ANWR, depend in large part on the state's record as a land manager. Department attorneys assist in improving this record.

Component Goals and Strategies

To maximize the state's revenues by enforcing antitrust laws against oil and gas companies.

To maximize the state's revenues by enforcing the state's oil and gas royalty and taxation statutes and regulations;

To maximize the state's revenues through monitoring expenses that reduce oil and gas valuation;

To protect valuable state lands and resources against title and lease challenges.

Key Component Issues for FY2001 – 2002

See BRU Key Issues.

Major Component Accomplishments for FY2000

- Protected the state's revenue, resource development, environmental, and societal interests in antitrust matters involving oil and gas companies in Alaska.
- Defended state's tariff settlement agreements during the period of the agreements to ensure that the state receives the benefits of those agreements.
- Reduced the tariffs charged for oil transported through the Trans-Alaska Pipeline System (TAPS) and other pipelines to an amount that reflects proper rate-making methodology and equitable cost factors.
- Pursued legal remedies that will determine the cost of processing the state's royalty share of natural gas liquids.
- Resolved disputes with the federal government over implementation of the United States Supreme Court Dinkum Sands decision.
- Pursued oil and gas tax assessments made by state tax auditors in both the oil and gas audit and income and excise tax divisions.
- Pursued the state's interests in net profit share oil leases.
- Promoted further oil and gas development in the by assisting resource agencies in drafting regulations, defending lease sales, and accomplishing other tasks in aid of development.

Statutory and Regulatory Authority

AS 44.23.020

Oil & Gas Legal Services
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	0.0
72000 Travel	0.0	0.0	0.0
73000 Contractual	370.3	295.7	295.7
74000 Supplies	0.0	0.0	0.0
75000 Equipment	0.0	0.0	0.0
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	370.3	295.7	295.7
Funding Sources:			
1004 General Fund Receipts	370.3	295.7	295.7
Funding Totals	370.3	295.7	295.7

Oil & Gas Legal Services

Proposed Changes in Levels of Service for FY2002

None.

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	295.7	0.0	0.0	295.7
FY2002 Governor	295.7	0.0	0.0	295.7