State of Alaska
FY2010 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, exploration, and development.
- Ensure that the state receives full value 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 and revenue enhancements.
- Ensure that bonus, rental, license fees, net profit, and royalty payments are correct, allocated to the proper revenue fund, and received when due.
- Ensure that shared federal bonus, rent, and royalty revenues 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 web site, or personal contact.
- Advocate responsible oil and gas development throughout the state.
- Adjudicate exploration and development permits effectively and maintain a proactive inspection program.
- Ensure that the state's resource ownership interests are effectively represented in the AGIA process.
- Evaluate the geological, geophysical, and engineering aspects of unit and participating area applications and calculate tract factors to determine the state's royalty share.

End Result	Strategies to Achieve End Result
A: Encourage Exploration and Development. Target #1: Maintain 3,600,000 acres or more under lease during fiscal year. Status #1: FY08: 5.5 million acres are under lease. Target #2: Maintain 1,500,000 acres or more under exploration license during fiscal year. Status #2: The acreage under exploration license in 2008 was 1,300,000. Target #3: Maximize number of new exploration wells permitted in fiscal year. Status #3: In FY08 Twenty Plans of Operations were issued. Of those five wells were drilled and 100% of those inspected.	**A1: Hold regularly scheduled lease sales.** Target #1: Five sales held on schedule in accordance with the Five-Year Oil and Gas Leasing Program. Status #1: Four lease sales were held in FY08, one short of the target because no bids were received on the fifth sale. **A2: Promptly issue leases and licenses without compromising legal integrity of the lease or license.** Target #1: Leases awarded within nine months of lease sale. Status #1: Leases resulting from North Slope 2007 and Beaufort Sea 2007 lease sales were awarded within 8 months; leases from North Slope Foot Hills 2008 lease sale were awarded within 6 months; and leases from the

	Cook Inlet 2008 lease sale were awarded within 3 months. Target #2: Licenses awarded within 18 months. Status #2: Two exploration license applications received in FY07; Crooked Creek and Houston are in progress. The Healy Exploration License application remains “on hold.” **A3: Actively market and evaluate Alaska's oil and gas potential.** Target #1: Two new companies actively exploring in Alaska per fiscal year. Status #1: No new operators acquired geophysical data or drilled wells in Alaska in FY08. **A4: Evaluate new areas for oil and gas exploration and development prior to a final best interest finding.** Target #1: Evaluate 100 percent of proposed sale/exploration license areas. Status #1: 100% of the areas was completed. **A5: Efficiently adjudicate exploration permits.** Target #1: 100 percent of exploration permits issued within the timelines set by the Alaska Coastal Management Program during fiscal year. Status #1: 100% of exploration permits were issued with the timeline.

End Result	Strategies to Achieve End Result
B: Maximize benefits of development and production to the state. Target #1: Five percent maximum decrease in statewide oil and gas production from previous fiscal year. Status #1: In FY08 there was a 2.1% drop in oil production and a 2.2% drop in gas 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 fiscal year. Status #1: 100% of development permits were issued within the timeline. **B2: Promptly adjudicate completed lease assignments.** Target #1: 100 percent of lease assignments adjudicated within 15 working days. Status #1: 27.5% was adjudicated within 15 working days. **B3: Keep up with the increasing numbers of unit-related decisions (plans of exploration/development/Participating Areas (PA).** Target #1: 90 percent of unit/participating area decisions issued within 90 days.

	Status #1: 85% of decisions were negotiated and issued within 90 days. **B4: Negotiate new unit agreements or modifications to current unit agreements that accelerate exploration and development and maximize the economic benefit to the state.** Target #1: Negotiate two unit agreements per fiscal year that provide for accelerated exploration and development. Status #1: In FY08 eight new PA's were approved. **B5: Perform inspections of oil and gas operations.** Target #1: 100 percent of seismic, exploratory, and production operations inspected every three years. Status #1: Ninety-five percent of new physical activities were inspected.
End Result	**Strategies to Achieve End Result**
C: Maximize non-tax revenue from state oil and gas production. Target #1: $ 1.6 billion Status #1: $3.4 billion estimated non-tax revenue received in FY08 for state production of oil and gas, up from $2.16 in FY07.	**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). Status #1: 100% Compliance **C2: Conduct timely audits.** Target #1: Complete four royalty audits each fiscal year. Status #1: Ten audits were completed inFY08. **C3: Ensure that the state receives full value for oil and gas royalty-in-value (reopeners).** Target #1: 100 percent of reopeners increase value. Status #1: 100% of the target was met.

Major Activities to Advance Strategies

- Local Government outreach - Mat-Su, North Slope, Alaska Peninsula, Healy, and Nenana; process familiarization, development of MOU's.
- Oil and gas advocacy - independents, new entrants and new areas in the state
- Evaluate frontier and producing basins; pursue gas hydrates, shallow biogenic gas, and tight gas sands
- 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
- Conduct timely audits of royalty and net profit share lease audits
- Evaluate requests for unitization of oil and gas leases
- Active inspection program for permit and system integrity compliance
- Timely permitting
- Respond to requests for exploration licensing - All areas
- Hold regular competitive, area wide lease sales
- Encourage leasing of federal onshore and offshore lands in a manner most beneficial to the state
- Process royalty modification applications in a manner that maximizes value to the state

Major Activities to Advance Strategies
• Timely processing of lease assignments

FY2010 Resources Allocated to Achieve Results

FY2010 Component Budget: $14,817,000

Personnel:	
Full time	98
Part time	0
Total	98

Performance

A: Result - Encourage Exploration and Development.

Target #1: Maintain 3,600,000 acres or more under lease during fiscal year.
Status #1: FY08: 5.5 million acres are under lease.

Acres under lease

Year	YTD Total
2008	5.5 million
2007	5.3 million
2006	3.9 million
2005	4.0 million
2004	4.6 million

Analysis of results and challenges: FY08: Acreage expiring or relinquished is being reacquired or replaced with other acreage. In the last five lease sales: 69 tracts sold; 74 total bids; 14 different bidders; and $4,695,603 million in high bids. Of the total number of bid received 15 were forfeited for failure to timely pay the remainder of the bid amount (13 are under appeal).

The North Slope ten-year best interest finding was finalized in time for the 2008 lease sale. The ten-year best interest finding process for the Beaufort Sea sale areas has been initiated and is on schedule to be finalized in time to be approved before the 2009 sale. The Mount Spurr Geothermal preliminary best interest finding was completed during this reporting period with the final best interest finding schedule for early FY09 in time for a September 2008 sale.

FY07: Leased acreage expiring or relinquished was reacquired or replaced with other acreage. In the last five lease sales: 103 tracts sold; 123 total bids; 17 different bidders; and $5.9 million in high bids. Without continued budget resources, acreage under lease will drop.

Target #2: Maintain 1,500,000 acres or more under exploration license during fiscal year.
Status #2: The acreage under exploration license in 2008 was 1,300,000.

Acres under license

Year	YTD Total
2008	1.3 million
2007	1.3 million
2006	1.3 million
2005	1.7 million
2004	1.6 million
2003	1.6 million

Analysis of results and challenges: FY08: The Healy Basin exploration license preliminary best interest finding has been completed with the final to be issued in the first half of 2009. Two exploration license requests received during FY07 are under review: Houston and Crooked Creek. The best interest finding for the geothermal exploration license application in the Augustine Island area is under review.

FY07: The Healy Basin license is still on hold, at applicant request. Two new exploration license requests have been received and are under review: Houston and Crooked Creek. The Copper River Basin license has been converted to conventional oil and gas leases, due to be issued soon. The division received no new license proposals in FY05 or FY06. DNR rejected the Holitna license converted under AS 38.05.177 in FY05. These lower potential, higher risk areas require more outreach, promotion and availability of public data.

FY06: Consideration of a 208,000 acre exploration license in the Healy Basin has been delayed at the request of the applicant. Also, there was a decrease in acreage due to expiration of the Copper River Basin license. Ten percent of the Copper River Basin license is being converted to conventional oil and gas leases. The Division of Oil & Gas (O&G) received no new license proposals in FY05 or FY06. DNR rejected the Holitna license converted under AS 38.05.177 in FY05. These lower potential, higher risk areas require more outreach, promotion and availability of public data.

In FY05, O&G completed the title work, best interest finding and public process for the Bristol Bay Exploration License. The license was awarded to the applicant, however, the applicant failed to execute the license. Applicants have chosen not to execute two of the last four exploration licenses awarded by O&G, a circumstance beyond DNR's control, resulting in lower licensed acreage than anticipated.

Target #3: Maximize number of new exploration wells permitted in fiscal year.
Status #3: In FY08 Twenty Plans of Operations were issued. Of those five wells were drilled and 100% of those inspected.

Analysis of results and challenges: FY07: Twenty-one exploration/delineation wells were drilled and completed on the North Slope. Of this total, six new exploration wells drilled in National Petroleum Reserve-Alaska (NPR-A); eight exploration wells drilled on state lands; and seven delineation wells on state lands in existing units (wells drilled to gather reservoir information in order to determine development strategy for shallow heavy oils sands (West Sak and Schrader Bluff formations in Nikaitchuq, West Sak, and Milne Point units) during the past fiscal year. Companies are investing in drilling delineation wells to determine the economic viability of producing heavy oil (Schrader Bluff / West Sak). No exploration wells were drilled. Aurora drilled the Endeavor well in Cook Inlet on private land. The majority of drilling in Cook Inlet involves development drilling within existing units, predominantly by Marathon and Chevron. Several exploration wells are planned in FY08 by new operators. To date there is no jack-up rig in Cook Inlet available to drill exploration wells. Pioneer is currently drilling an oil delineation well in the Cosmopolitan Unit. The division requests data for the DOR EIC program AS 43 55.025. For 06-07, the division requested data for eight exploration wells, five wells were drilled in NPR-A, and nine seismic surveys were conducted (all but one on the North Slope and most were in NPR-A. The DOR exploration incentive program has been popular with industry). As a result of the program, companies that receive credit are required to provide confidential seismic and well data to the state. The wells are released in a 24-month time frame. The seismic information becomes publicly available in 10 years. Prior to this statute there was no vehicle to release seismic data to the public.

FY06: Twenty-three exploration wells were permitted during the period; eight were drilled. The decision whether to drill the wells is beyond the control of the division. The permits were issued in a timely matter. Promoting the improved project economics under the Petroleum Profits Tax and other incentive programs should result in increased activity.

FY05: Fifteen wells drilled. Eight were completed in northern Alaska during FY05: five on state Beaufort Sea tidewater leases (one a possible oil discovery, no information yet on the others); one on a state North Slope onshore lease; and two on federal NPR-A leases. At least seven wells were completed in the Cook Inlet basin (all onshore): four on state leases; one on a Mental Health Trust(MHT) lease; and two on CIRI leases. Five of the Cook Inlet wells are classified as gas discoveries.

A1: Strategy - Hold regularly scheduled lease sales.

Target #1: Five sales held on schedule in accordance with the Five-Year Oil and Gas Leasing Program.
Status #1: Four lease sales were held in FY08, one short of the target because no bids were received on the fifth sale.

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: Leases awarded within nine months of lease sale.
Status #1: Leases resulting from North Slope 2007 and Beaufort Sea 2007 lease sales were awarded within 8 months; leases from North Slope Foot Hills 2008 lease sale were awarded within 6 months; and leases from the Cook Inlet 2008 lease sale were awarded within 3 months.

Analysis of results and challenges: FY08: Leases resulting from North Slope 2007 and Beaufort Sea 2007 lease sales were awarded within 8 months; leases from North Slope Foot Hills 2008 lease sale were awarded within 6 months; and leases from the Cook Inlet 2008 lease sale were awarded within 3 months.

During FY08 the division implemented a new policy of pre-adjudicating lease tracks prior to requesting title reports in order to reduce the overall processing time. The pre-adjudication combined with the below average turnout reduced the overall cycle time necessary to issue leases. In addition, the title shop within the Division of Mining Land and Water has retained qualified staff necessary to complete the title review in a timely manner.

FY07: Leases resulting from North Slope 2006A and Beaufort Sea 2006A lease sales were awarded within nine months; leases from Alaska Peninsula 2007 were awarded within five months; Cook Inlet lease 2007 lease awards are in progress.

FY06: North Slope Foothills awarded in nine months; Cook Inlet awarded in 14 months; North Slope awarded in 12 months; Beaufort Sea awarded in 10 months; Alaska Peninsula awarded in 12 months.

FY05: North Slope Foothills sale, Cook Inlet sale, Beaufort Sea sale, and North Slope sale awarded.

Target #2: Licenses awarded within 18 months.
Status #2: Two exploration license applications received in FY07; Crooked Creek and Houston are in progress. The Healy Exploration License application remains “on hold.”

Analysis of results and challenges: FY08: Two exploration license applications received in FY07: Crooked Creek and Houston are in progress. The Healy Exploration License application remains “on hold.”

FY07: Two exploration license applications were received in FY07; Crooked Creek and Houston. Those applications are in progress and on schedule. The Healy Exploration License application remains “on hold.”

FY06: One license in process and one denied. Both are beyond the target timelines – one was problematic due to significant local opposition and minimal overall value to the state; award of the second has been delayed at the applicant’s request.

FY05: Awarded Bristol Bay Exploration License 14 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 fiscal year.
Status #1: No new operators acquired geophysical data or drilled wells in Alaska in FY08.

Analysis of results and challenges: FY08: Pioneer produced first oil in the Kuparuk Formation in their Oooguruk field in June, 2008, marking the first time an independent oil company has produced oil into TAPS. Brooks Range drilled their Tofkat well and tested the North Shore well. Savant drilled the Kupcake well near the Endicott field.

FY07: Two new companies, ENI and Brooks Range Petroleum drilled wells as operator on the North Slope. ENI shot a small 2D seismic survey in FY06, resulting in the drilling of three wells in FY07 in the Rockflour Unit south of Kuparuk River Field. Brooks Range drilled two wells just north of the Prudhoe Bay Unit; tested one and shot outstanding seismic data in the area. It's difficult to pinpoint the reasons a company enters a basin, but the division's participation in annual conventions and other outreach programs are certainly a factor. Savant drilled its Kupcake prospect near Endicott (Liberty) this past drilling season. Even though the well was a dry hole; Savant is partnering with BP in the Badami Unit to drill several exploration wells. ENI acquired Kerr-McGee's interest in the Nikaitchuq Unit last year and drilled two delineation wells the previous winter in preparation for potential future development. ENI received royalty relief for the Nikaitchuq project and is preparing a development plan for the area. ENI is also reevaluating its Rock Flour Unit for additional prospects to drill. Chevron, who has traditionally explored and developed in the Cook Inlet Basin, drilled 3 wells in the White Hills area on the North Slope south of the Kuparuk River Unit. Anadarko drilled 2 exploration/delineation gas wells in the Gubik area near Umiat.

FY06: Four companies have entered or re-entered the Alaska market. Shell has re-entered Alaska in a big way, buying leases in the Alaska Peninsula sale and the MMS Beaufort Sea sale. ENI is now involved in Alaska. Benchmark purchased numerous leases in the Cook Inlet sale area and is pursuing exploration plans.

FY05: Three new companies are involved in Alaska.
Alaska Energy Alliance, Rutter and Wilbanks Corp., and Storm Cat Energy Corp. acquired leases in the recent Cook Inlet lease sale.

FY04: Four new companies are involved in Alaska.
Kerr-McGee has partnered with Armstrong Alaska Inc. in Beaufort Sea exploration, and Pioneer Natural Resources Alaska Inc. acquired leases in the Beaufort Sea, North Slope, and Mat-Su areas. Fortuna acquired leases in the Beaufort Sea, and Pioneer Oil and Gas acquired leases in Cook Inlet.

A4: Strategy - Evaluate new areas for oil and gas exploration and development prior to a final best interest finding.

Target #1: Evaluate 100 percent of proposed sale/exploration license areas.
Status #1: 100% of the areas was completed.

Analysis of results and challenges: FY08: Geologic review of the geothermal potential was followed by the completion of the Mount Spurr Geothermal Lease Sale No. 3 Final Finding of the Director. Geologic, geophysical, and engineering input was incorporated into an updated geothermal lease form that accompanied the Best Interest Finding. Ormat Nevada Inc. won 15 of the 16 tracts. Ormat Nevada Inc. is the third largest geothermal power producer in the United States. The total amount received for 36.057 acres was $3.57 million. This is an average high bonus bid per acre of $90.44.

FY07: Two new exploration license areas were evaluated for their oil and gas potential, one was converted to lease, and another exploration license area was reviewed because of an appeal. These areas are primarily gas plays that would benefit from more seismic data acquisition and unconventional drilling techniques. Two areas nominated for geothermal exploration received geologic review. However, the hydrothermal potential is difficult to quantify since the data consist only of surface geology and a limited number of electromagnetic profiles. More data will certainly be collected in the future for this type of play.

FY06: Significant subsurface geological information pertaining to evaluation of the Alaska Peninsula lease sale has been released. Other lease sale areas are under continual review. Additional resources will be necessary to evaluate unexplored areas nominated for exploration licensing because such areas are outside of area wide lease sale areas that are subject to ongoing assessment by division staff.

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 fiscal year.
Status #1: 100% of exploration permits were issued with the timeline.

Percent of exploration permits issued on time

Year	YTD Total
2008	100%
2007	98 %
2006	95 %
2005	100 %
2004	90 %

Analysis of results and challenges: FY08: 95% issued on time. Hiring and retention challenges are continuing. The quality and responsiveness of the permit applicant pool is changing. Small independents and Limited Liability Companies (LLCs) are more common, require more attention, and are less receptive to public policy preferences. Abandonment, which historically has not required much work effort, is now emerging as a field life cycle phase in Cook Inlet. Oil and gas facility abandonment is relatively undeveloped as a program. Exploration is taking place in areas with more difficult logistics and operational issues.

FY07: All ACMP timelines were met; issuances of permits lagging ACMP reviews have improved despite continued hiring and retention challenges.

FY06: 95% issued on time.
All deadlines for ACMP review have been met; issuance of permits has lagged ACMP approval due to workload and staffing issues. Ability to timely adjudicate the anticipated expansion of the permitting workload, including Alaska Peninsula permits; gas line permitting; gas hydrates; and gas-only exploration licenses and leases will also be addressed by increased, permanent resource allocation.

FY05: 100% issued on time.
With increased resources to fund a Natural Resource Specialist IV and a Natural Resource Specialist III the division's ability to adjudicate new and increasing statewide gas-related exploration activities, including Alaska Peninsula permits, gas hydrates and gas-only exploration licenses and leases has been increased.

FY04: 90% issued on time.

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

Target #1: Five percent maximum decrease in statewide oil and gas production from previous fiscal year.
Status #1: In FY08 there was a 2.1% drop in oil production and a 2.2% drop in gas production.

Percentage Change in Production

Fiscal Year	Oil %	Gas %
FY 2008	-2.1%	-2.2%
FY 2007	-13.2%	-9.6%
FY 2006	-6.2%	-1.0%
FY 2005	-7.8%	1.9%
FY 2004	-1.7%	0.8%

Analysis of results and challenges: FY08: This year's drop was due to decline in production in legacy units such as Prudhoe Bay, Kuparuk River, and Duck Island. New satellite pool development in exiting units, new field development under way and planned, and continued viscous oil development will reduce, but not eliminate, the production decline.

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 fiscal year.
Status #1: 100% of development permits were issued within the timeline.

Percent of permits issued on time

Year	YTD Total
2007	100%
2006	100%
2005	100%

Analysis of results and challenges: FY08: Routine ongoing operational permits are being issued on time. Recent developments in and near the Beaufort Sea and smaller onshore accumulations require permit solutions that do not fit the traditional pattern of plans of operation approvals. Approvals for off-unit pipelines and facilities, and sharing of facilities with other units, are issued as AS 38.05.850 easements which have a significantly larger administrative process, and present new issues that transcend routine procedures.

FY07: 100% of permits due were issued on time.

FY06: 100% issued on time.

FY05: 100% issued on time.

The division is actively participating in permitting for the Oooguruk and Nikaitchuq North Slope offshore development proposals and Ninilchik and Kasilof onshore gas developments in Cook Inlet. Offshore development projects continue to be permitting challenges due to increased environmental and oil spill response issues.

B2: Strategy - Promptly adjudicate completed lease assignments.

Target #1: 100 percent of lease assignments adjudicated within 15 working days.
Status #1: 27.5% was adjudicated within 15 working days.

Percent of lease assignments within 15 days

Year	Aver # days	YTD Total
2008	32.1	27.5%
2007	38.0	45%
2006	14.0	100%
2005	28.6	22.1%
2004	15.5	54.9%

Analysis of results and challenges: FY08: Of 1,250 assignments, 27.5% were issued within 15 days; the overall average time to issue an unusually large number of lease assignments was 32 days. The longer than average adjudication was due to a number of assignments (165) that were extremely complex and required input from the Department of Law before they could be processed. This also resulted in a number of other assignments being delayed while the issue was being worked on.

FY07: Of 973 assignments, 45% were issued within 15 days; the overall average time to issue an unusually large number of lease assignments was 38 days.

FY06: 100% issued within 15 days; overall average time to issue is 14 days. More than 1,000 lease assignments adjudicated.

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

Target #1: 90 percent of unit/participating area decisions issued within 90 days.
Status #1: 85% of decisions were negotiated and issued within 90 days.

% of unit decisions within 90 days

Year	YTD Total
2008	85%
2007	100%
2006	93%
2005	100%
2004	100%

Analysis of results and challenges: In FY08 85% of the participating areas (PA) decisions were issued within 90 days.
The units section is fully staffed and capable of analyzing the increasing number of unit actions. Oil and gas units and (PA's) are the operating and commercial framework for most 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.

FY07 – 100% compliance
FY06 – 93% compliance
FY05 – 100% compliance
FY04 – 100% compliance

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

Target #1: Negotiate two unit agreements per fiscal year that provide for accelerated exploration and development.
Status #1: In FY08 eight new PA's were approved.

Analysis of results and challenges: Eight new units were negotiated and approved in FY08.

Four new units were negotiated and approved in FY07.
Four new units approved in FY06.
One new unit agreements in FY05.
Three new unit agreements in FY04.

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

Target #1: 100 percent of seismic, exploratory, and production operations inspected every three years.
Status #1: Ninety-five percent of new physical activities were inspected.

Analysis of results and challenges: FY08: 95% of new physical activities were inspected. Ongoing production operations without new activity are inspected on an opportunistic basis. More complex applicant and application issues are increasing the need for inspections and compliance oversight. Accordingly, a program of comprehensive inspection of new and ongoing exploration and production activities over a three-year horizon will allow proper scheduling of seasonal inspections and follow-up inspections of exploration or production projects delayed for weather funding or other reasons. The ongoing development of an internal operations tracking system will likewise contribute to future program benefits.

FY07: 95% of operations inspected.

FY06: 90% new staff hired in the third quarter has been quickly coming up to speed and assisting in the inspection program. The new positions are crucial in meeting this established goal. Ongoing exploration activities and incremental changes to existing development increase each year the total number of sites requiring on-site inspection for compliance with lease and permit conditions. Permanent addition of permitting staff has had significant positive impact on achieving goals, including additional expected gas-related activities, gas pipeline permitting, Alaska Peninsula activities, gas hydrates, and gas-only exploration licenses.

FY05: 85% complete. Operations not inspected by June 30, 2005, include those planned for summer construction or inspection, and seismic operations planned for next winter.

FY04: 85% complete

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

Target #1: $ 1.6 billion
Status #1: $3.4 billion estimated non-tax revenue received in FY08 for state production of oil and gas, up from $2.16 in FY07.

Amount of non-tax revenues

Fiscal Year	YTD Total
FY 2008	$3.34 billion
FY 2007	$2.16 billion
FY 2006	$2.39 billion
FY 2005	$1.91 billion
FY 2004	$1.42 billion

Analysis of results and challenges: FY08: This amount includes income from royalties, bonus bids, rental payments, and state share of federal oil and gas revenues (regular payments as well as money from reopeners and audits) from oil and gas throughout the state. Without continued budget support, audit activity will decrease, royalty settlement reopeners will be less effective, and analysis of pipeline tariff rates and quality bank fees will be postponed.

The royalty, audit, and commercial sections continue to monitor royalty payments, royalty settlement agreements with lessees, and royalty-in-kind contracts, and take advantage of every opportunity to assure that the state is getting full value for its royalty and gas.

.... ANS Spot Price ..... TAPS Volume
FY08 $96.42 avg/bbl ... .714 mil bbl/day
FY07 $62.58 avg/bbl ... .731 mil bbl/day
FY06 $62.08 avg/bbl ... .837 mil bbl/day

FY05 $44.83 avg/bbl ... .909 mil bbl/day
FY04 $32.36 avg/bbl ... .973 mil bbl/day

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).
Status #1: 100% Compliance

Analysis of results and challenges: In FY09, Quality Bank rulings from the Federal Energy Regulatory Commission will result in both prospective and retroactive adjustments to the RIK contract price for RIK purchasers. Without continued budget support, RIK analyses and billing will be delayed.

FY08 – 100% compliance
FY07 – 100% compliance
FY06 – 100% compliance
FY05 – 100% compliance
FY04 – 100% compliance

With the conclusion of the Trans Alaska Pipeline System (TAPS) tariff litigation before the Federal Energy Regulatory Commission, the commercial section will assist the division in making a claim for retroactive adjustments in the price of royalty-in-kind oil sold under the Flint Hills contract.

C2: Strategy - Conduct timely audits.

Target #1: Complete four royalty audits each fiscal year.
Status #1: Ten audits were completed inFY08.

Analysis of results and challenges: Twelve royalty audits are currently in progress.

FY08: Ten audits were completed. The audit section is responsible for auditing, analyzing, or verifying virtually all of the oil and gas royalties collected by the State of Alaska, which is one of the state's largest two components of revenue (excluding federal and investment revenues). The audit section also audits federal leases in Alaska under a delegation from the U.S. Minerals Management Service, and the State of Alaska receives a share of the federal royalties. The section's auditors are responsible for verifying oil and gas royalties either directly through audits or through review and negotiations during periodic amendments to royalty settlement agreements (called reopeners in the case of agreements with the three major oil producers on the North Slope). Without continued budget support, audits and audit recoveries will be delayed.

FY07: Seven audits were completed.

FY06: Four audits were completed.

FY05: Eight royalty audits completed.

FY04: Four royalty audits completed.

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.
Status #1: 100% of the target was met.

Analysis of results and challenges: FY08: The state has concluded a royalty settlement reopener with ConocoPhillips. Royalty reports will be refilled in FY09, and state royalty value will increase. The state continued to progress its royalty settlement reopener with BP. In addition, the division is currently analyzing a potential royalty settlement agreement reopener with a major oil producer.

Key Component Challenges

The Division of Oil and Gas manages the state's oil and gas resources with a staff of 98, consisting of highly specialized technical experts educated as geologists, geophysicists, engineers, IT professionals, attorneys, economists, accountants, commercial analysts, and natural resource specialists who work in asset teams but administratively are assigned to seven sections: administration, royalty audit, commercial, leasing/permitting, resource evaluation, royalty accounting, and units. They strive to accomplish the following:

Encourage Exploration and Development by:

- Promoting and facilitating an increased role for independent oil and gas companies willing to develop new regions of the state.
- Participating in outreach activities.
- Improving 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.
- Increasing the division's participation in geological field work in the North Slope foothills, central North Slope, the Alaska Peninsula, and Cook Inlet basin in support of DGGS field programs that promote exploration in these areas.

Maximize Benefits of Development and Production to the State by:

- Better evaluating Cook Inlet long-term gas supply and deliverability. The commercial section routinely updates estimates of Southcentral Alaska energy requirements and the demand for natural gas.
- Minimizing or eliminating vacancies and keeping the division fully and competently staffed to rapidly lease acreage; promote or compel early exploration, development, and production; and maximize revenues to the state.
- Maintaining a sufficient number of Permittees and or inspectors to oversee oil and gas operations in populated areas and increased Cook Inlet gas exploration and development.
- Ensuring the system integrity of the oil and gas infrastructure used to extract, process, and transport Alaska's oil and gas resources to minimize down time and maximize revenue to the state.

Maximize Non-tax Revenue from State Oil and Gas Production by:

- Implementing the Alaska Gasline Inducement Act to promote a competitive approach to a gas pipeline that speeds development and maximizes the value of the state's gas resources.
- Providing analysis to the Department of Revenue so that proposed changes to Alaska's production tax improve incentives for exploration and development.
- Participating in proceedings of Alberta's Energy Utility Board to develop policies that ensure Alaska receives full value for natural gas liquids in the event that a gas pipeline terminates in Alberta.
- Adding commercial and audit expertise to evaluate oil and gas pipeline tariff proposals, royalty modification applications, North Slope gas fiscal systems, North Slope and Cook Inlet facility sharing models and improve audit capabilities.
- Providing negotiation expertise in every division decision to create commercial opportunities for the state.
- Preparing for additional royalty in-kind (RIK) oil and gas sales and tracking potential retroactive price adjustments as required under existing RIK sales contracts.
- Improving and expanding the oil and gas royalty accounting system so that the division can continuously monitor oil and gas values, field processing and transportation costs. This would result in quicker and timelier audits to rapidly enhance state revenue.

Major activities occurring in or planned for FY09 – FY10 are discussed below. 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 dealt with maximizing existing assets, portfolio issues, and other worldwide opportunities, independents and new entrants initiated a surge in unitization onshore and south of existing Prudhoe Bay and Kuparuk oil fields. These lessees are eager to explore for gas and oil reserves and find new gas reserves for a gas pipeline to supply North America.

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 viscous oil reservoirs within existing units.

Pioneer completed their offshore island and drilled several wells in their Oooguruk Unit and achieved first production in the Kuparuk formation in June 2008. Pioneer will drill more Kuparuk and Nuiqsut wells in the next few years. Peak production is anticipated at a combined rate of 11,000 to 28,000 barrels of oil per day (BOPD) from both the Kuparuk and Nuiqsut reservoirs.

Chevron drilled 3 wells in its White Hills prospect last winter and is planning on drilling and additional 2-3 wells in the area during the ’08-’09 drilling season.

BP’s plan to develop its Liberty field (on Mineral Management Service Outer Continental Shelf (MMS OCS) land) in the Beaufort Sea has been sanctioned by its board. The field will be developed from existing onshore facilities at Endicott (Duck Island Unit) by ultra extended-reach drilling. Recoverable reserves are estimated to be 100,000 barrels of oil.

ENI acquired sole ownership of the Nikaitchuq project from Anadarko (previously Kerr-McGee) and applied for and received royalty relief. ENI completed construction of the offshore production island and initiated drilling its Schrader Bluff wells at the Nikaitchuq Onshore Processing and Production Pad at Oliktok Point.

Anadarko’s Jacob’s ladder completed drilling the well it suspended last winter due to tundra travel restrictions. The well was plugged and abandoned.

Savant completed drilling its Kupcake well, near Liberty. The well was plugged and abandoned.

Savant entered into a farm-out agreement with BP for the Badami Unit. Savant plans on drilling its Red Wolf exploration well this winter from the Badami Pad and then begin the operations to drill out a suspended Badami development well for redevelopment.

Brooks Range Petroleum Corporation drilled the Tofkat exploration well in the Colville River Delta and an additional well at North Shore north of the PBU. They have submitted two new exploration well proposals in the same area and are initiating plans for a single pad development.

Chevron completed three exploration wells in their White Hills Prospect and recently submitted five additional exploration well locations.

Conoco Phillips Alaska, Inc. (CPAI) has completed expansion of the CD 2 pad at Alpine and is drilling wells and has begun production of the Qannik prospect.

BP continues work on the oil transit line (OTL) replacement project.

Cook Inlet exploration activity has decreased (no exploration wells were drilled in FY08). Armstrong drilled a new well in the North Fork Unit which will most likely lead to production and a pipeline to the Kenai Facemask Pipeline, LLC (KKPL). Pioneer completed and tested a lateral extension at the Cosmopolitan Unit near Anchor Point and has a second well scheduled for FY09. Production permitting is expected to begin in FY09. Pacific Energy Alaska has a permit for the North Alexander well on the West Side, which may be drilled in the winter of FY09. Most of the drilling activity is Chevron and partner Unocal drilling development gas wells in existing units. Gas storage has become important to help with deliverability.

A. Encourage Exploration and Development:

- With the demand for additional area wide 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. The division is also seeing success in the administration’s efforts to bring new independents into the state, with a resulting increase in staff time assisting and educating new bidders and lessees.

- 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 specific best interest finding. In some cases, an

Alaska Coastal Management Program (ACMP) consistency determination is required to ensure the license provisions are consistent with the state's ACMP and local management plans. The division is currently evaluating two new exploration license proposals, in the Mat-Su and Interior areas. During FY08 the division completed the North Slope ten year best interest finding and has begun the best interest finding process for the Beaufort Sea sale area to be finalized in time for the expiration of the current findings in 2009. The Mount Spurr geothermal best interest finding was published on June 16, 2008.

- Increased title work: Exploration licensing, along with the five area wide sales, has presented the division with previously unscheduled work requirements, most notably title work. Each license proposal requires title work on up to 500,000 acres. Title work in these areas can be complicated and time-consuming because of multiple subsurface estate ownership issues. Keeping up with this increased title workload has been difficult for the division. The division anticipates title work demands to remain high.

Area wide Oil and Gas Lease Sales: The resource evaluation section will continue to provide geological, geophysical, and engineering support for the five annual area wide oil and gas lease sales on the state's current master lease sale schedule. This information is utilized by the commercial and lease sales sections together with economic and cost data to establish the bidding terms of the area wide lease sales. As during FY06, assessments of the Alaska Peninsula and North Slope Foothills area wide lease sale areas will continue to require additional surface and subsurface studies to provide improved assessments of their petroleum potential. New surface and subsurface geological studies under way in the Cook Inlet basin are designed to spur industry interest from smaller operators.

Resource Assessments: Progress in the gas pipeline, gas hydrates research, and possibly ANWR leasing will support ongoing investigations by resource evaluation staff during FY07. Given the amount of federal money made available for study of gas hydrate potential, resource evaluation staff will likely contribute to those studies. Resource assessments are also key decision elements when evaluating exploration licenses, land selections, and surface access routes. Geological field programs offered jointly by the Division of Oil and Gas and DGGS provide regional geological surface mapping along with detailed geological outcrop studies that are integrated with subsurface geological and geophysical data. During the summer of 2007 (FY07-08), geological field programs provided jointly by the two divisions included:

- North Slope Energy Program Field Studies: Detailed measured sections, and stratigraphic-tectonic investigations, preliminary geologic mapping, and Industry Sponsors Tour near the Dalton Highway in the north-central foothills state lands. Worked from logistics camp at Galbraith Lake and remote spike camps at key outcrop locations. Three-and-a-half week program, June-July 2007.
- Alaska Peninsula Field Program: Structural studies focusing on the Ugashik Lakes and Bruin Bay fault systems adjacent to the northern part of the Alaska Peninsula area wide sale area. Measured sections, thermal maturity, source rock, and reservoir evaluation of Triassic Kamishak and Jurassic Kialagvik formations at Puale Bay. Two week program, August 2007.
- Cook Inlet Field Program: Continued multi-year stratigraphic and tectonic studies of Cook Inlet basin, emphasizing Tertiary reservoir formations in lower Kenai Peninsula and west side Cook Inlet. Three-and-a-half week program; May, August, and September 2007.

During the summer of 2008 (FY08-09): Additional North Slope and Cook Inlet geological field parties are tentatively planned:

- North Slope Energy Program: Continued Inch-to-mile scale geologic mapping, structural studies and stratigraphic investigations of Lower Cretaceous to Paleocene units in the northern Foothills near Dalton Highway. Estimating three-four weeks division participation.
- Cook Inlet Field Program: Continuation of regional basin evaluation initiated in 2006 and progressed in 2007. Estimating two-three weeks division participation.

Alaska Gas Line: Upon award of a license under AGIA, resource evaluation geoscientists and engineers will have to assess the resource potential of gas-prone areas and possible conventional and unconventional gas reservoirs throughout state lands on the North Slope and in the Interior. North Slope Foothills-area lessees and others have proposed extensive geophysical and drilling exploration projects that will move forward upon successful conclusion of a gas pipeline contract. The extensive size of the foothills' lease sale area and the large quantity of new information received from related programs will require dedication of substantial resources from the section.

Gas Hydrates Exploration and Development Technology: A joint DOE, USGS, industry team successfully drilled the Mount Elbert well, testing several gas hydrates prospects within the Milne Point field on the North Slope. As reported in the Petroleum News in early 2007, the BP-operated stratigraphic test penetrated several hundred feet of hydrate-bearing sandstone. The well proved that established oil and gas exploration concepts can be successfully adapted to hydrates exploration. A significant amount of core and log data was collected and is being analyzed in preparation of the study's next phase, a long-term production test.

The DOE mandate of understanding by 2015 how much of the North Slope in-place gas hydrate resource might be recovered will be strongly supported by this and other efforts on the slope. A division resource evaluation petroleum geophysicist has begun analysis of the highly prospective west end Prudhoe, to be used as a potential secondary area for evaluation, if needed. In addition, division geoscientists are supporting industry studies by facilitating access to public well and seismic data to be used in hydrates research.

- The division is working with WESTCARB (West Coast Regional Carbon Sequestration Partnership), a consortium of western states, and ARI (Advanced Resources International Inc., the consulting firm) in identifying areas in Alaska to store carbon dioxide. Division personnel compiled a map entitled "CO2 Sequestration Base Map – Alaska Basins & Infrastructure" for use in discussions with WESTCARB during late August 2006 to discuss the scope of the division's involvement, duties, and responsibilities. Division personnel created a large-scale net sand map of the Tertiary Cook Inlet basin based on well-log data.

- Arctic National Wildlife Refuge: If a decision is made to open the refuge we expect the division, including the resource evaluation section, to be invited by federal agencies to participate in development of resource assessments and operational regulations.

- Public Outreach: During FY09, the division will remain a key player in the administration's program to attract new players to Alaska's oil patch. Resource evaluation staff plays a key role by compiling, formatting, and distributing technical information of value to explorers. This information is produced in the forms of maps, charts, photographs, and reports depicting and describing the petroleum potential and petroleum system character of petroliferous basins in the state. During April 2007, resource evaluation staff joined the DGGS energy section staff in hosting its first annual two-day meeting with industry geoscientists and managers in Anchorage to share results of recent petroleum systems studies of the North Slope, Cook Inlet, and Alaska Peninsula. That event was highly successful, attended by more than 50 geologists from numerous companies, and will be repeated in March 2008. Such interactions are expected to flourish throughout FY08 as the division continues to integrate surface and subsurface studies.

  Most, if not all, of the information will be Web-enabled to assure timely and equitable distribution to the public. The division will also continue to use this information in booth displays and handouts to promote Alaska opportunities at several national conventions throughout the year. That involvement is expected to grow throughout FY09 as the division, often in collaboration with the DGGS, expands surface and subsurface studies.

  Resource evaluation geologists and geophysicists have created industry interest in Cook Inlet and the North Slope by providing map compilations summarizing geological, geophysical, and currently producing areas on the North Slope and Cook Inlet and facilitating companies' searches for publicly available well log, seismic, and engineering data. The division's interaction with a variety of oil and gas exploration companies, including majors and independents, has provided companies interested in investing in Alaska critical information that facilitates the search for basic data to jump-start exploration and development ventures. Recent industry interactions have included Shell, Benchmark, FEX, Petro-Canada, Chevron, Pioneer, ConocoPhillips, Brooks Range Petroleum, and other agencies and individuals with links to the Alaska oil and gas industry.

- The cartography group within the resource evaluation section provides virtually all of the mapping, graphics, software, and conventional and Web-interfaced publication support for the division. The group prepares most of the graphics used by DNR and division management at their presentations to the administration and

Legislature, other departments, and industry groups. This past year, personnel in the resource evaluation section prepared and published new and updated technical products for distribution on the division's Web site, the DGGS Web site, and on CD-ROMs, including interpretive geologic reports, GIS-based North Slope Oil and Gas Resources poster series, detailed Brookian sequence stratigraphic interpretations, online page Key Sources of Alaska Oil and Gas Data, Area wide Leasing and Licensing Programs, AAPG and NAPE booth montage series, including:

- Oil and Gas programs for the North Slope of Alaska
- Regional Geology of the North Slope of Alaska
- Seismic Data Availability for the North Slope of Alaska
- Gravity and Magnetic Data Availability for the North Slope of Alaska
- North Alaska Plays and Petroleum Systems
- State of Alaska Leasing and Licensing Map
- In addition, the division has prepared a data packet focusing on the resource potential of the Point Thomson area. This data collection is being supplemented with interpretive information released in 2008.

B. Maximize Benefits of Development and Production to the State:

- The division is at the forefront of the state's overall oil and gas system integrity initiative. This effort will result in the state being in a position, for the first time, of anticipating where potential system failures and production stoppages may occur, and requiring proactive measures to minimize production stoppages. The Petroleum Systems Integrity Office (PSIO) is addressed in a separate component.

- This effort will require a significant increase in the division's technical expertise and inspection capacity.

- A corollary and sizeable task is the demand for investigations in response to public concerns. In the first seven months of the PSIO operation, four investigations have been conducted. The workload involved is significant and separate from that of the planned PSIO and permitting functions.

- Increased demand for administration of oil and gas leases: The North Slope, Beaufort Sea, North Slope Foothills, Cook Inlet, and Alaska Peninsula area wide lease sales will continue to increase the number of leases the division issues. As a result of the increased area wide 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.

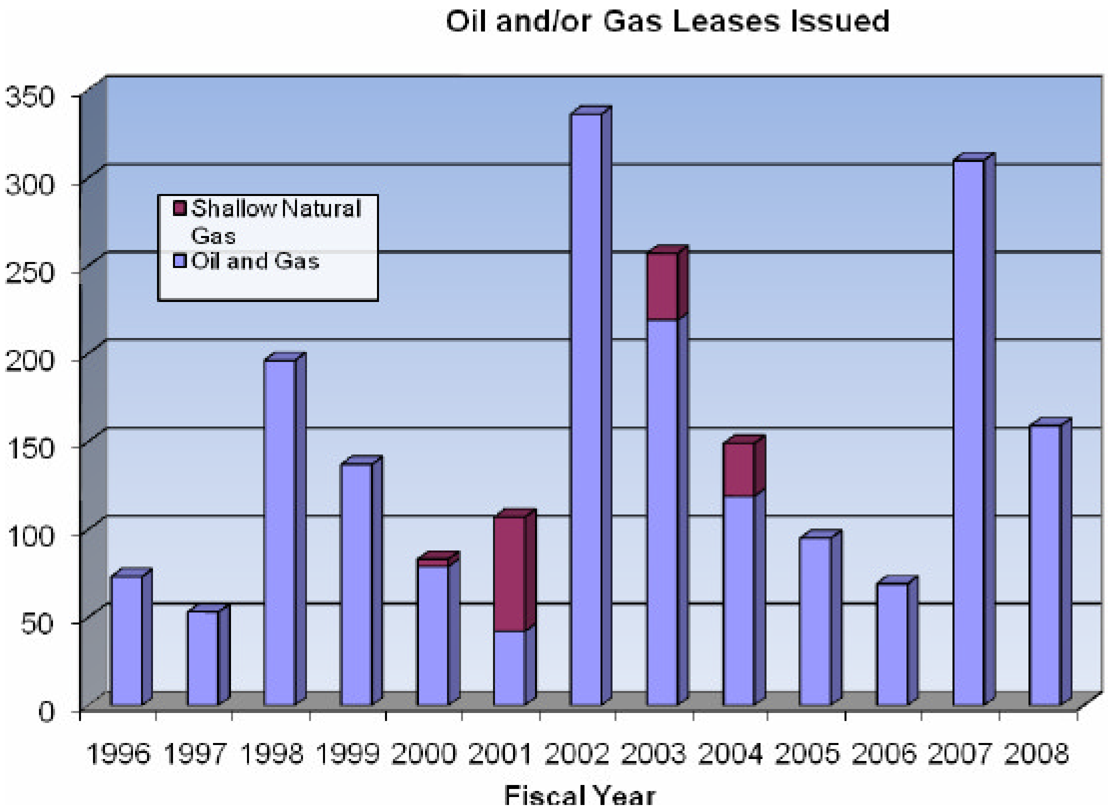
Oil and/or Gas Leases Issued
350
300
250
200
150
100
50
0
Shallow Natural Gas
Oil and Gas
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008
Fiscal Year

Figure 1

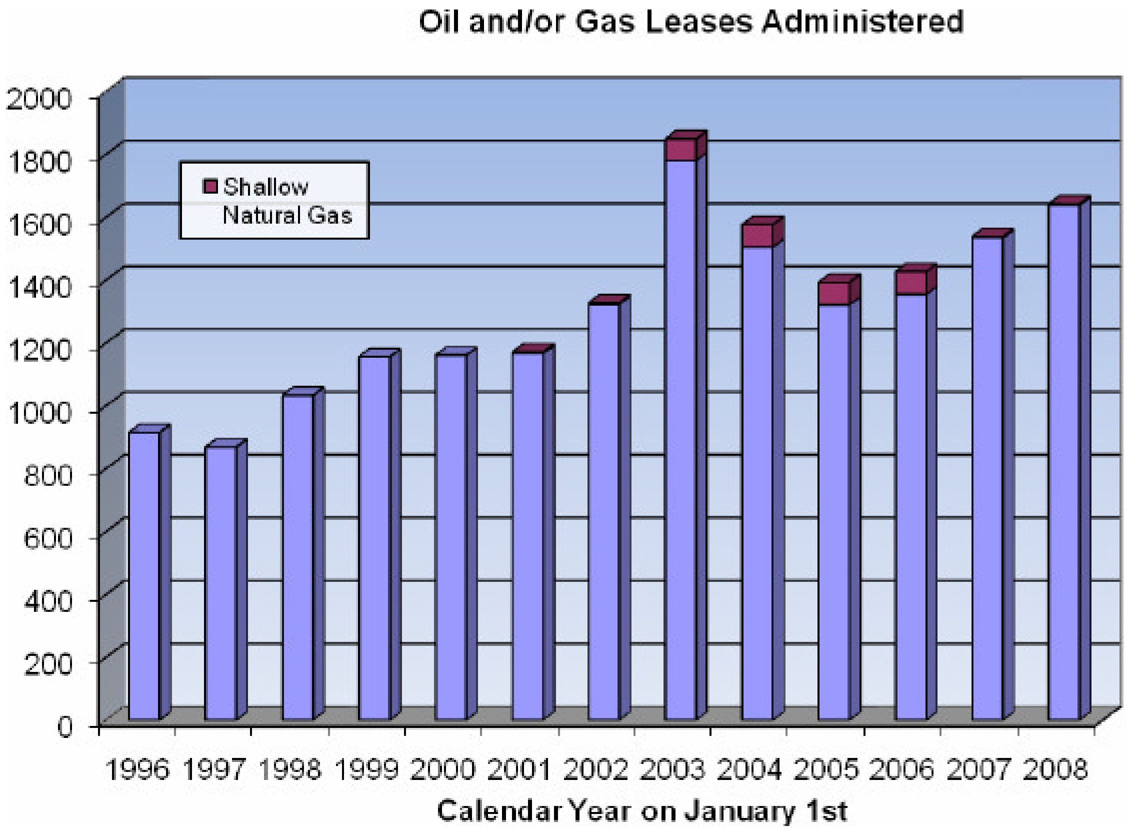

Figure 2

- 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 compliance with stipulations, mitigation measures, and systems integrity requirements. The ongoing push toward 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 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. The challenges of aging infrastructure coupled with increased exploration in Cook Inlet result in replacement and new projects to maintain and increase production.

- High oil and gas prices and the decline in gas reserves and 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. Compared to more established Alaska operators, these new entrants have less experience and fewer resources, which can slow permitting and other approvals. Staff are spending greater 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 nontraditional oil and gas areas such as Bristol Bay, Copper River, Nenana, Healy, and the upper and lower Susitna Valley translates into more complicated and time-consuming permitting activities involving the applicants, state and local agencies, and the public.

- Offshore development projects continue to be a permitting challenge due to increased environmental and oil spill response issues.

- Successful involvement by new explorers has led 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 continued elevation of the number of assignments over the past several years. A major challenge is keeping up with the fast pace of exploration permitting, leasing, and lease assignment approval requests.

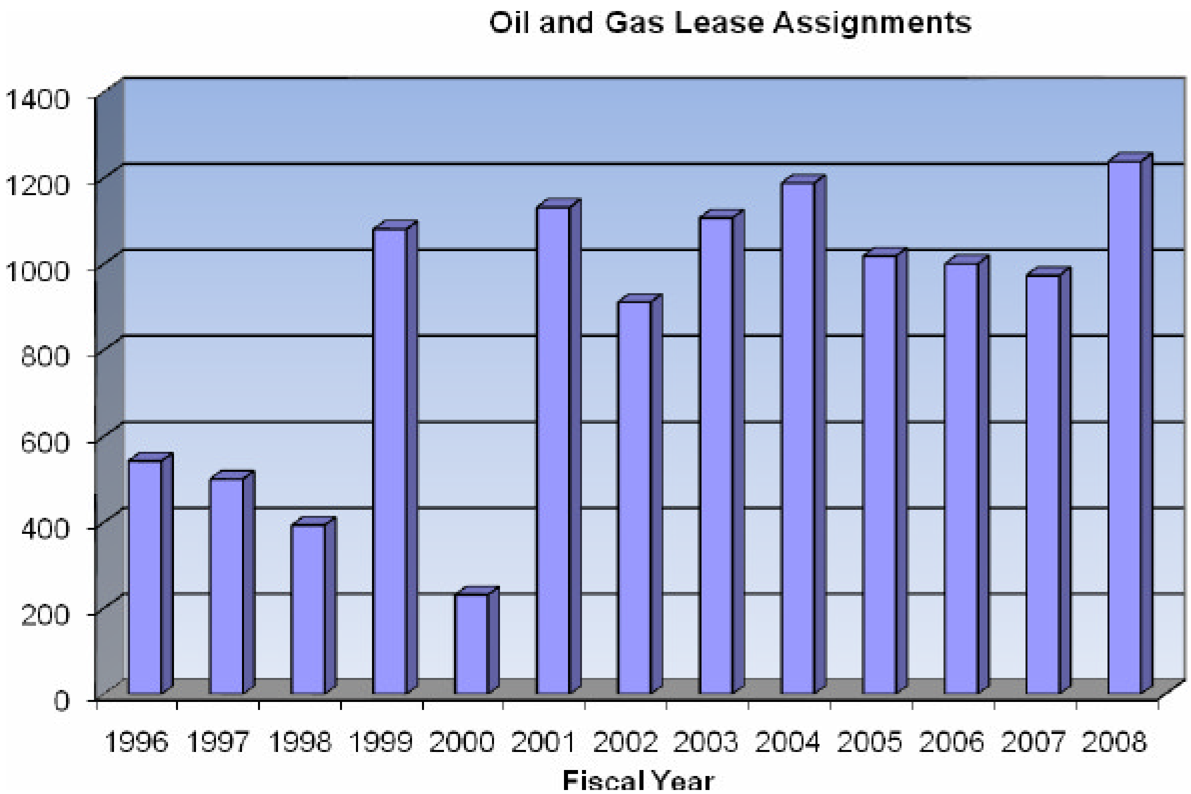

Figure 3

- Oil and gas units are the commercial framework for production of Alaska's oil and gas resources. The division manages oil and gas development through the unit process. During its review and approval of unit agreements and plans of development, the division maximizes the state's commercial interests. In recent years we have seen more independent operators move through the leasing process and begin development. We are working to encourage development by making the unit management process more transparent and predictable for all operators.
- As of October 2008, the division oversees 41 active units. We are expecting three new unit applications before the end of the year.
- Participating areas are formed with units as production begins to attribute the production for tax and royalty purposes to the appropriate lease.
- Oil and gas production from satellite pools and new field start-ups are an increasingly important part of North Slope output. In 2004, more than 27 percent of ANS oil output was from new pools, new participating areas, and expansion areas of older participating areas that began production since 1995. (See Figure 4 and Figure 4A.)

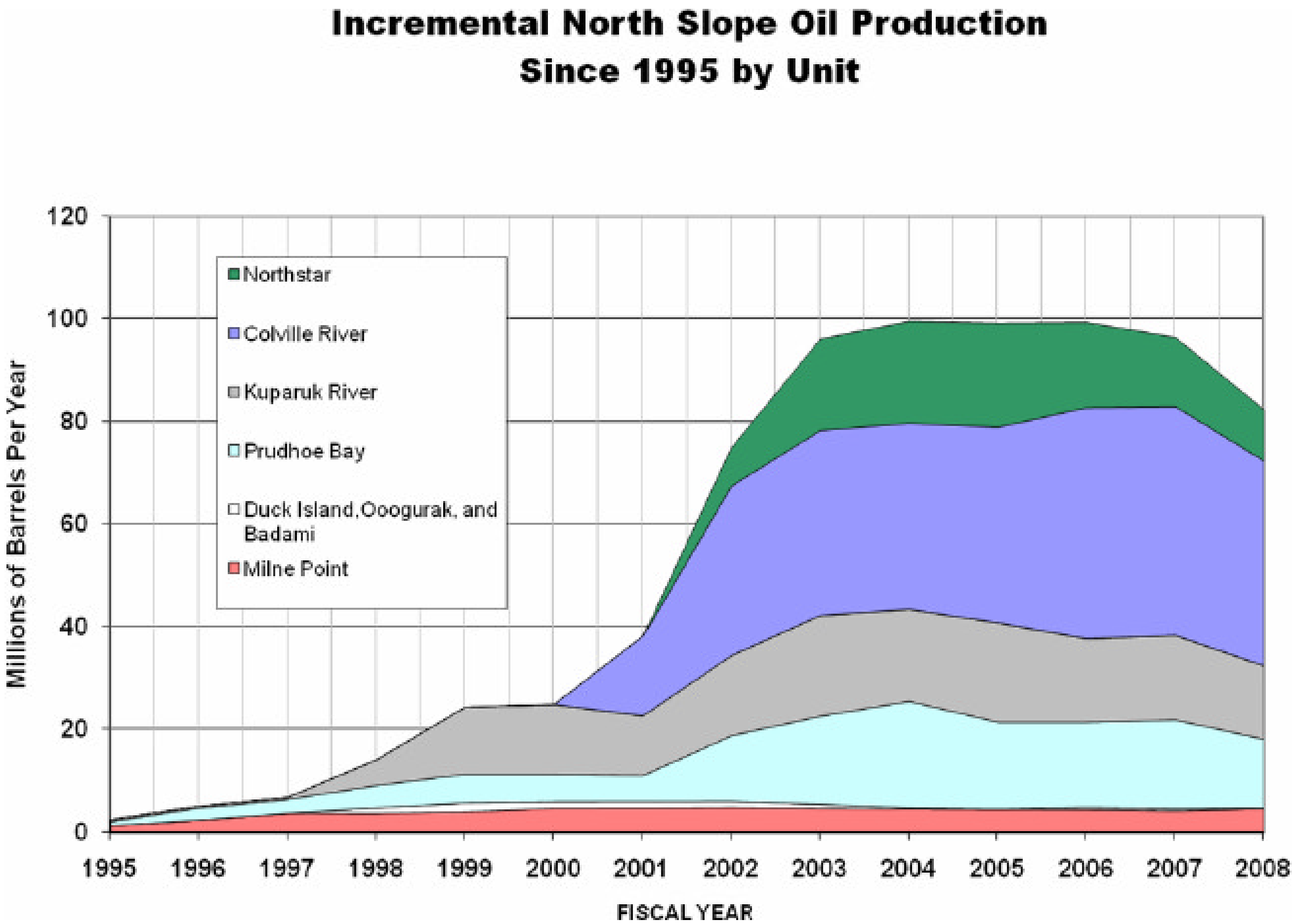

Figure 4

Fiscal 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	24.989	389.294	6.4%
2001	38.320	372.251	10.3%
2002	75.171	375.618	20.0%
2003	96.226	367.215	26.2%
2004	99.674	361.623	27.6%
2005	99.320	333.164	29.8%
2006	99.472	309.437	32.1%
2007	96.523	270.749	35.7%
2008	82.430	265.846	31.0%

Figure 4A

Increasing oil prices, the prospect of construction of a North Slope gas pipeline and changes in the tax regime are resulting in increased oil and gas exploration and development activity. Mature units, like Prudhoe Bay and Kuparuk, have moved on to satellite developments and gas-related projects. Many of these actions are extremely complex because they occur at the edges of existing units or at the conjunction of two (or more) units and involve commingling of different production streams owned by different parties or having different royalty terms through common facilities using facility sharing agreements.

- Gas storage benefits residents, businesses, industrial users, and producers by maximizing reservoir recovery and balancing seasonal swings in gas demand from summer to winter. Development of underground gas storage facilities is as important to economic security and market deliverability in Alaska as it is in the Lower 48. Gas storage (not for EOR purposes) is new to the state, and the division is working to develop an efficient process for managing gas storage leases to improve the Cook Inlet gas market.

- The commercial section works with the units, lease sales, and resource evaluation sections to develop 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.

- The commercial and resource evaluation sections also provide analysis and data for the department either in support of the administration's legislative initiatives or to respond to information requests from the legislature on bills that may impact oil and gas development.

- The commercial section, with a focus on value creation, provides expertise to the rest of the division each time there is a commercial interaction with industry. The division calls upon this expertise to identify value and provide experienced negotiation skills to capitalize on each commercial opportunity.

- <u>Resource Allocations and Assessments:</u> Each year the division verifies initial tract allocations for all new units and participating areas, and final tract allocations for participating areas that are in the first two years of production. Unit agreements with third party land holdings also require more frequent review of the tract allocations. Tract allocations are the process of determining actual and estimated production from beneath lease tracts and are the basis of equitable distribution of revenue to the lessee and royalty owners. Complex geological, geophysical and reservoir engineering simulation models are compiled and combined with past production data, to predict future production for the assumed life of a field. The process can take several months to complete, depending on the complexity of land ownership, and may be delayed if the division's geologic and engineering results differ from those proposed by the unit operator.

    - <u>Northstar Unit Tract Allocation:</u> The final allocation of the Northstar field reserves, originally scheduled for FY06, was delayed by the operator's success with additional development drilling. It is now progressing. Because both federal and state leases with differing leasing terms are included in the Northstar Unit, the reallocation process will involve the U.S. Minerals Management Service.

    - <u>Colville River Allocation Review:</u> The Division is in the process of reviewing the operator's proposed revision of the tract allocation factors. In addition to the State of Alaska, ASRC is a landowner in this unit. The Colville River Unit is likely to continue to produce and expand for many more years. It is important to ensure that tract allocations are fair and accurate as the unit grows.

- The resource evaluation section also provides the technical assistance needed to support leasing and unit applications and decisions after issuance of leases. The resource evaluation section is responsible for determining the accuracy of the geology, geophysics, and engineering data and derivative products (maps, cross sections, and reservoir calculations) that are used to verify the unit operator's tract allocations within a participating area before it goes into production.

    - While it remains to be seen if high oil prices continue through FY09 and if exploration drilling increases as a result, accelerated development drilling is expected to continue. The now common use of technology such as multilateral horizontal completions generates much larger quantities of technical data than did the conventional drilling practices of the past. Compilation and interpretation of these data will increase the workload of resource evaluation staff when reviewing unit and participating area applications, and when determining tract allocations.

- As the primary term of many leases approach expiration, it has become common practice for lessees to attempt to secure lease term extensions through various last-minute means such as applying for unitization or alteration of unit boundaries. In an attempt to encourage petroleum exploration and development, the division sometimes approves such activities, but conditions approvals with performance commitments designed to ensure no loss of state revenue. Each of these proposals must be evaluated by resource evaluation staff within a very short time and, with other division staff, performance commitments developed. Furthermore, once performance commitments are negotiated the agreements must be monitored and administered to ensure that commitments are met or, if they are not, remedies are provided.

C. Maximize Non-tax Revenue from State Oil and Gas Production

Oil and Gas Leasing and Accounting Systems Integration: During the FY 2008, Lease assignment and Unit Administration information were converted from historical data previously maintained in the old royalty accounting system. An audit of this data also began during this time. A permitting application was also revised and enhanced to provide greater integration with the Division's document management system. The upgraded application was presented to staff for review and overall design completion.

Lease Sales conducted three sales using their new application and passed lease data to the Lease Administration application. Preliminary audits of converted lease data revealed the need to reconvert and to alter the relationship of stored data to the applications and processes making use of that data. Units completed extensive reviews of unit file information as a basis for auditing unit/tract data to be stored in the DOGMA system. Royalty Accounting continued to employ the RIK billing system and to review system design and implementation of the electronic reporting to be employed in the new DOGMA system. Royalty Report Data is now maintained in both the old (OGRA) and new DOGMA systems. The overall automation of the reports will expand further in the next fiscal year to allow lessees to file and load their own reports.

- The Division of Oil and Gas Document Management System: Document capture work continued on the Division's document management system. Lease Sales, Lease Administration, Units and Royalty Accounting files were captured during FY 2008. Lease Sale and Lease Administration files are in working or production status with all current files captured, indexed and assigned Meta data for easier document retrieval. New files or lease actions and accompanying documents are kept current in the document system. Work will continue on the capture of Units, Royalty and Permits documents in the next fiscal year.

- The division has 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 has one auditor who is exclusively engaged in audits of federal leases in Cook Inlet and another auditor who is extensively engaged in federal audits. The state receives 50-90 percent of the audit recoveries obtained by the division's federal auditors, depending on where the federal lease is located. Additional Cook Inlet audits and a North Slope audit of federal leases at Northstar are planned for FY09.

- The audit section supports the division's royalty reopeners with major North Slope producers, particularly with respect to analysis of marine transportation costs, which along with pipeline tariffs are the major deductions to arrive at the state's royalty value. The audit section recovered approximately $6.7 million in audit claims during FY08.

The Audit Section is assisting in proposed amendments to the net profit share lease regulations.

- The successful negotiation of reopeners with BP, ConocoPhillips, and ExxonMobil illustrates how the state has benefited dramatically from proactive management of its royalty revenues. While the division has always expressed a willingness to conclude these reopeners through amicable negotiation, it has also demonstrated that it is willing to exercise all of the state's rights under the royalty settlement agreements to press for the state's fair share.

- Royalty-in-kind sales: The division continues to supply royalty-in-kind (RIK) oil to the Alaska refining industry. The percentage of RIK to total royalty has increased over the past three fiscal years. In FY03, the division sold 38.3 percent of ANS royalty oil in-kind. In FY04 that percentage increased to 46.6 percent, in FY05 the percentage was 51.8 percent, in FY06 the percentage increased to 59.9 percent, and in FY07 the percentage increased to 64 percent. The Flint Hills Resources (FHR) contract incorporates innovative terms and should yield a substantial price premium to the state over what the state would have received for its royalty in-value oil. The commercial section is also tasked with monitoring the other terms of the FHR contract, including the promise by FHR to sell wholesale gasoline in Anchorage and Fairbanks at the same posted price. Division staff continues to evaluate future RIK oil and gas sales and provide advice and recommendations to the commissioner on potential sale terms. Stranded Gas Development Act negotiations with various parties all have royalty-in-kind features that have been analyzed by division staff.

- AGIA: The legislature approved the license award to TC-Alaska after a special session held last summer. The division provided substantial resources to analyze the license application from TC-Alaska and drafting the findings of the Commissioners of Natural Resources and Revenue. The division has also begun work on its part of crafting the AGIA inducements and managing the relationship between the state and TC-Alaska.

The division provided technical support to DNR management, DOR Management, and the Governor, formulating and implementing AGIA.

Significant Changes in Results to be Delivered in FY2010

A. Encourage Exploration and Development:

1) Due to competitive area wide leasing and the addition of the exploration license program, the division currently requires many months after the sale to conduct title reviews and award leases. The division's goal is to again be able to award leases nine months following a lease sale, as the limited capacity within the title shop within the Division of Mining Land & Water (ML&W) is resolved.

2) Develop and maintain a staff of professionals that meet or exceed the best in the oil industry. The division has been 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 Sedimentology, clastic depositional systems, fluvial sedimentology, petrography, structural, reservoir, and subsurface geology. All three also have significant project and program management experience.

   Most of the petroleum geologists and geophysicists on staff have more than 20 years of industry experience and are highly respected for their technical expertise. Retention of staff remains an issue. The resource evaluation group consists of four petroleum geophysicists and five petroleum geologists, one reservoir engineer, two geologists, and four natural resource technicians. The petroleum geologists, geophysicists and engineer are charged with oversight and technical evaluation of all units and participating areas in the state and managing all the confidential G, G &E data that is submitted in support of applications and tract allocations. The resource evaluation group has begun constructing geologic and reservoir models to evaluate hydrocarbons in place and recoverable to ensure that the state is receiving a fair royalty share of oil and gas. Without having an experienced, seasoned, staff with industry experience able to identify, scope, and manage the projects, the state could not evaluate the tract allocation factors provided by industry. Retaining this staff is of great concern, with industry looking for experienced geologists, geophysicists, and engineers and able to pay significantly higher salaries and bonuses. The division has been unable to successfully recruit a petroleum reservoir engineer because of the high demand for experienced individuals in industry.

3) Although limited in number, the division now has a scientific asset team that equals any and is superior to most of those found in the private sector. The division has added a commercial analyst with more than 27 years of industry experience, and filled a long-vacant petroleum economist position. The division continues to be competitive with private industry and increased demand for qualified experience. Demand for these professionals in the private sector coupled and with the corresponding high private sector salary is troublesome. Turnover in these positions could result in reduced delivery of services of FY08 and beyond.
4) Oil and gas data and general information is are being made available to the public and other agencies on the division's Web site. Fewer printed publications are available.

B. Maximize Benefits of Development and Production to the State:

1) The system integrity initiative will add significantly to the division's budget needs in FY2008 and 2009. In addition to requiring an increase in engineering and other technical expertise, this will be a significant recruitment challenge. The division will need to add inspectors and shift workload among existing positions. In addition, the effort will add contractual and travel costs to the division's budget.

2) Oil and gas activities in the populated Mat-Su and Kenai areas have increased the public attention on our permitting and inspection program. The division's goal is to establish routine inspections of surface activities on the Kenai Peninsula and in the Mat-Su region comparable in frequency to those conducted on the North Slope.

3) The division continues to work with lessees to commercialize undeveloped oil and gas on the North Slope.

C. Maximize Non-tax Revenue from State Oil and Gas Production

1) 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, commercial, and audit staff as well as support staff.

2) Professional and support staff will participate in more royalty and net profit share audits evaluate Cook Inlet and North Slope oil and gas royalty reduction requests and rulings, analyze Cook Inlet gas valuation proposals, and options for storage of Cook Inlet gas.

3) The division must maintain professional staff to support the development and management of a gas pipeline project under AGIA.

Major Component Accomplishments in 2008

A. Encourage Exploration and Development:

1) AGIA: Division of Oil and Gas was instrumental in providing legislative testimony and support during the special session approving the issuance of a license under Alaska Gasling Inducement ActAGIA.

2) Collaborated with the Division of Geological and Geophysical Surveys (DGGS) 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.

3) Five lease sales held, resulting in 5.3 million gross acres being leased and the state receiving $5.9 million in bonus bids; 103 tracts sold; 123 total bids; and 17 different bidders.

4) Provided technical support to the legislature and the Alaska congressional delegation on a variety of oil and gas issues, including systems integrity, advances in Arctic technology and practices, gas hydrates, and oil and gas incentives.

5) 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.

6) Continued expansion of the content of the division's Web site in order to support oil and gas programs. A major addition 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 Valleys, and Kenai Peninsula "atlases" to support conventional and nonconventional gas leasing programs in those areas. The web site 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.

7) Worked closely with new Cook Inlet and North Slope explorers, including Aurora, Pacific Alaska Energy, Escopeta Oil Inc., Pioneer Natural Resources, Armstrong, AVCG, Brooks Range Petroleum, and ENI to facilitate exploration activities.

8) Initiated study of the Prudhoe Bay reservoir and economic impacts associated with gas blowdown to establish optimal gas off-take rate for possible gas pipeline open season – developed scope of work for consultant and issued a request for proposal (RFP).

9) Provided review and draft approvals of metering changes related to transit line bypass repairs and production rerouting at Prudhoe Bay necessitated by shut-in transit lines.

10) Negotiated the CRU Gas Management Agreement which allows for the royalty-free movement of gas within all participating areas in the unit.

11) Negotiated development agreements and unit reconfiguration at Oooguruk and Nikaitchuq offshore projects with final approvals by end of the second quarter FY07 and oil flowing in FY07 and FY08 respectively.

12) Effectively managed the increase in unit activity in both Cook Inlet and on the North Slope and Beaufort Sea, and responded quickly to customer information and other educational needs.

13) Negotiated and issued leases authorizing two gas storage facilities in Cook Inlet to promote increased gas deliverability and enhance energy security and reliability.

14) Worked to recover leases containing known reserves of hydrocarbons held in units that were not being produced so that they can be re-leased under terms that will insure development.

B. Maximize Benefits of Development and Production to the State:

1) Managed 38 active units and 59 participating areas (PA"s) within those units. Management of the units and PA's included negotiation of new unit agreements; negotiation of expansions and contractions to units and PA's; tract allocation and equity determinations; negotiation and monitoring of facility-sharing and production commingling agreements for the new PA's; review of plans of exploration, development, and tract operations for units and PA's; 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, optimism that a gas pipeline will be constructed across the North Slope Foothills, increased need for new gas supplies in Cook Inlet, high oil and gas prices, and development or exploration of prospects and pools having multiple royalty owners other than the State of Alaska.

2) Conducted geological reviews of nearly all units 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.

3) 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 Corp. to ensure continued development of the Alpine field and NPRA acreage and with the CIRI at Deep Creek, Three-Mile Creek, and Ninilchik Units.

4) With ASRC, ConocoPhillips Alaska, and Anadarko Petroleum, established new tract allocations for the North Slope's Alpine field to adjust revenue distribution for the results of new in-field drilling and actual well production rates.

5) Participated in interdisciplinary meetings of state resource agencies: The Office of Project Management and Permitting (OPMP), Alaska Oil & Gas Conservation Commission (AOGCC), Office of Habitat Management and permitting (OHMP0, Mining Land, & Water (ML&W), Division of Environmental Conservation (DEC), and Alaska Department of Fish & Game (ADF&G) addressing issues such as well control and the critical issues of early North Slope tundra travel and the abbreviated winter drilling seasons.

6) Processed 973 oil and gas lease assignments.

7) Nineteen wells were permitted and 8 wells were drilled. Ten seismic survey programs were permitted and four development approvals were issued.

8) Initiated program development of the Petroleum Systems Integrity Office: hired lead technical personnel, and initiated a statutory and regulatory gap analysis to identify infrastructure and activities lacking oversight, along with areas of duplicative oversight activities. Initiated blanket notification requirements for safety and shutdown events, along with a mechanism for sharing notifications with liaison agencies. Developed the first draft system integrity plan for the Prudhoe Bay Unit. Initiated development of a Quality Management Program to serve as an umbrella structure for operators' programs, and expanded the permitting compliance function to incorporate key system integrity elements. Continued a cooperative agreement initiated with the US Department of Transportation/Pipeline and Hazardous Materials Safety Administration in late FY06, relative to information sharing and comprehensive system integrity efforts.

9) Completed analysis of royalty modification applications submitted by lessees of the Oooguruk and Nikaitchuq units-technical data, subsurface information, economic information, production forecasts and cost projections, and initiated analysis of a revised application submitted by Nikaitchuq unit lessees.

C. Maximize Non-tax Revenue from State Oil and Gas Production

1) In FY08, petroleum revenue collected by the Departments of Natural Resources and Revenue accounted for approximately 89 percent of general fund unrestricted revenue. Total royalty, settlement, rental, federal share, and bonus revenue collected by DNR was approximately $3,336.2 million. Distribution was as follows: $2,447.0 million General Fund; $834.0 million Permanent Fund; and $16.7 million School Fund and $38.5 million Budget Reserve Fund. Revenue increased 54.6 percent from FY07 to FY08, largely due to the increase in the value of the oil.

2) In FY08, the division received payments in the amount of $6.7 million for audit claims relating to Cook Inlet and North Slope oil and gas producers.

3) Actively engaged in a royalty settlement agreement reopener with ConocoPhillips concerning destination value, TAPS pipeline tariffs, marine expenses and marine fuel.

4) Provided lead role in the drafting of the AGIA Request for Applications and in the evaluation of applications submitted under AGIA.

5) Participated with staff from Department of Law to hire consultants and formulate state position papers and formulate/analyze options available to the state with respect to AGIA.

6) Supervised a host of consultants to develop AGIA Request for Applications (RFA) and RFA evaluation methods and protocols, and to assist in the analysis of RFA responses and recommendation for license.

7) With the aid of consultants, built a complex, flexible, robust, and sophisticated economic model to analyze multiple pipeline proposals under AGIA.

8) Alaska Clear and Equity Share (ACES): Provided legislative testimony as well as modeling and policy support to the Department of Revenue especially on how tax policy impacts exploration and development incentives.

9) 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.

10) Continued to monitor progress and compliance by Flint Hills Resources (FHR) under its royalty-in-kind oil contract.

Statutory and Regulatory Authority

AS 31.05.035
AS 38.05.020
AS 38.05.035
AS 38.05.130
AS 38.05.131-134
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 46.40
11 AAC 02
11 AAC 03
11 AAC 04
11 AAC 05
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

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	9,398.8	12,066.7	12,152.9
72000 Travel	362.3	302.0	302.0
73000 Services	4,153.5	11,383.2	1,966.2
74000 Commodities	240.3	349.0	349.0
75000 Capital Outlay	170.7	46.9	46.9
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	**14,325.6**	**24,147.8**	**14,817.0**
Funding Sources:			
1002 Federal Receipts	207.9	227.6	232.3
1004 General Fund Receipts	9,845.0	19,195.0	9,835.3
1005 General Fund/Program Receipts	61.5	62.7	63.5
1007 Inter-Agency Receipts	6.9	0.0	0.0
1061 Capital Improvement Project Receipts	0.0	17.2	17.2
1105 Alaska Permanent Fund Corporation Receipts	3,423.2	3,472.6	3,491.2
1108 Statutory Designated Program Receipts	119.5	450.0	450.0
1153 State Land Disposal Income Fund	661.6	722.7	727.5
Funding Totals	**14,325.6**	**24,147.8**	**14,817.0**

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	118.0	0.0	0.0
Unrestricted Fund	68515	3,336,165.8	2,497,545.5	2,326,596.7
Unrestricted Total		**3,336,283.8**	**2,497,545.5**	**2,326,596.7**
Restricted Revenues				
Federal Receipts	51010	207.9	227.6	232.3
Interagency Receipts	51015	6.9	0.0	0.0
General Fund Program Receipts	51060	61.5	62.7	63.5
Statutory Designated Program Receipts	51063	119.5	450.0	450.0
Capital Improvement Project Receipts	51200	0.0	17.2	17.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Permanent Fund Earnings Reserve Account	51373	3,423.2	3,472.6	3,491.2
State Land Disposal Income Fund	51434	661.6	722.7	727.5
Restricted Total		**4,480.6**	**4,952.8**	**4,981.7**
Total Estimated Revenues		**3,340,764.4**	**2,502,498.3**	**2,331,578.4**

Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2009 Management Plan	**19,257.7**	**227.6**	**4,662.5**	**24,147.8**
Adjustments which will continue current level of service:				
-Reverse one-time item O&G Increased Workload Multi-year approp Sec7(d)(2), CH6, SLA2005, P11 L10 lapse date 06/30/10	-506.6	0.0	0.0	-506.6
-Reverse one-time-item Gasline Risk Analysis Multi-year appropriation Sec24(o) CH159 SLA2004 SB283 lapse date 06/30/09	-154.2	0.0	0.0	-154.2
-Reverse one-time item Gasline Right-of-Way and Application Multi-year approp Sec24(p) CH159 SLA2004 SB283 lapse 06/30/09	-2,965.8	0.0	0.0	-2,965.8
-Reverse one-time item Gas Pipeline Implementation CH1 4SSSLA 2008 Sec 8 (HB 4001)	-5,500.0	0.0	0.0	-5,500.0
-Reverse one-time item Gasline Risk Analysis Royalty Issues Multi-yr Sec20(c)(1), CH3, FSSLA2005, P107 L2 lapse 06/30/09	-290.4	0.0	0.0	-290.4
-Reverse one-time item Oil and Gas Development Transfer from Governor's Office	-1,318.1	0.0	0.0	-1,318.1
-Reverse one-time item Oil and Gas Development Transfer from Governor's Office	-391.7	0.0	0.0	-391.7
-Reverse one-time item for Contract Auditors	-200.0	0.0	0.0	-200.0
-Reverse one-time item for Royalty Valuation	-500.0	0.0	0.0	-500.0
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	58.1	4.7	23.4	86.2
Proposed budget increases:				
-Oil and Gas Cost to Maintain Current Service Levels	1,318.1	0.0	0.0	1,318.1
-Royalty Audits - Contract Auditors	200.0	0.0	0.0	200.0
-Oil & Gas Royalty Valuation	500.0	0.0	0.0	500.0
-Gasline Implementation Continuation to Maintain Existing Service	391.7	0.0	0.0	391.7

Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor

All dollars shown in thousands

	General Funds	Federal Funds	Other Funds	Total Funds
FY2010 Governor	**9,898.8**	**232.3**	**4,685.9**	**14,817.0**

Oil & Gas Development
Personal Services Information

Authorized Positions	FY2009 Management Plan	FY2010 Governor	Personal Services Costs	
			Annual Salaries	8,548,274
Full-time	98	98	COLA	336,354
Part-time	0	0	Premium Pay	0
Nonpermanent	1	1	Annual Benefits	3,972,476
			Less 5.49% Vacancy Factor	(705,658)
			Lump Sum Premium Pay	0
Totals	**99**	**99**	**Total Personal Services**	**12,151,446**

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	1	0	0	0	1
Accounting Tech II	4	0	0	0	4
Accounting Tech III	1	0	0	0	1
Admin Operations Mgr I	1	0	0	0	1
Administrative Assistant II	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	2	0	0	0	2
Administrative Officer I	1	0	0	0	1
Analyst/Programmer IV	4	0	0	0	4
Analyst/Programmer V	1	0	0	0	1
Cartographer II	3	0	0	0	3
Cartographer IV	1	0	0	0	1
Chief Petroleum Geologist	1	0	0	0	1
Commercial Analyst	8	0	0	0	8
Data Processing Mgr I	1	0	0	0	1
Deputy Director	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
Micro/Network Spec I	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	7	0	0	0	7
Natural Resource Spec IV	4	0	0	0	4
Natural Resource Spec V	3	0	0	0	3
Natural Resource Tech II	4	0	0	0	4
Natural Resource Tech III	3	0	0	0	3
Oil & Gas Revenue Audit Master	2	0	0	0	2
Oil & Gas Revenue Auditor II	4	0	0	0	4
Oil & Gas Revenue Auditor III	3	0	0	0	3
Oil & Gas Revenue Auditor IV	2	0	0	0	2
Oil & Gas Revenue Specialist	1	0	0	0	1
Petroleum Economist II	1	0	0	0	1
Petroleum Geologist I	6	1	0	0	7
Petroleum Geologist II	2	1	0	0	3
Petroleum Geophysicist I	1	0	0	0	1

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Petroleum Investments Manager	1	0	0	0	1
Petroleum Land Manager	4	0	0	0	4
Petroleum Manager	1	0	0	0	1
Petroleum Market Analyst	1	0	0	0	1
Petroleum Reservoir Engineer	3	0	0	0	3
Pipeline Engineer	1	0	0	0	1
Publications Spec III	1	0	0	0	1
Secretary	1	0	0	0	1
Student Intern I	1	0	0	0	1
Totals	**97**	**2**	**0**	**0**	**99**