

British Petroleum Exploration (Alaska) Inc. Litigation**FY2012 Request: \$9,000,000****Reference No: 51783****AP/AL:** Appropriation**Project Type:** Life / Health / Safety**Category:** Law and Justice**Location:** Statewide**Contact:** Dave Blaisdell**House District:** Statewide (HD 1-40)**Contact Phone:** (907)465-3673**Estimated Project Dates:** 07/01/2011 - 06/30/2016**Brief Summary and Statement of Need:**

This request is for funding of the costs of outside counsel, document management, experts and litigation in the British Petroleum Exploration (Alaska) Inc. (BPXA) Corrosion case. This request helps the Department's efforts towards protecting the fiscal integrity of the State by pursuing substantial civil penalties and damages, following BPXA's Prudhoe Bay oil spills in March and August of 2006 and subsequent oil field shutdowns and resulting reduced production.

Funding:	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	Total
Gen Fund	\$9,000,000						\$9,000,000
Total:	\$9,000,000	\$0	\$0	\$0	\$0	\$0	\$9,000,000

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

Operating & Maintenance Costs:

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

Additional Information / Prior Funding History:

Sec1, SLA2010, Ch41, P32, L29 \$4,000.0

Sec1, SLA2009, Ch12, P31, L9 \$3,500.0

Sec1, SLA2008, Ch27, P31, L21 \$4,700.0

The Department originally estimated this litigation would cost \$25.0 million, which the legislature chose to fund on a yearly basis through one-time operating budget increments. This funding request is within the original budget and we currently believe that the case can be concluded within the original estimate.

Project Description/Justification:

In March 2009, the State filed a civil complaint against BPXA seeking civil penalties and damages arising out of the oil spills in March and August of 2006 at Prudhoe Bay and the consequent shutdowns of portions of the field within the Prudhoe Bay and Milne Point Units caused by the need to repair and replace extensive portions of its oil transit and other common lines systems. In addition to response costs and natural resource damages, the State seeks economic damages of approximately \$1 billion measured by the lost tax and royalty revenues that would have paid on the production shortfall that occurred during the 2006 to 2008 period.

The requested funds will be used to pay the litigation costs incurred in bringing this matter to trial. The bulk of the funds will be used to pay for the costs of outside counsel, the fees for several retained experts required to present the case, various costs associated with the discovery process and other

costs necessary to bring the matter to trial. It is not anticipated that there will be funding left over from the FY2011 budget at the end of the fiscal year, due to extensive pre-trial activity expected to take place between now and then.

To date the parties have engaged in extensive motion practice involving both dispositive motions and discovery disputes. This activity will only intensify in FY 2012. The cut off dates for discovery motions is 9/30/11, for dispositive motions is 11/21/11, for other motions is 12/30/11 and for expert opinion motions is 1/30/12.

The trial is scheduled to begin in March of 2012 and is estimated to last about 12 weeks. The State litigation team is currently engaged in extensive pretrial discovery involving review of documents received from BPXA and other third parties, production of State documents requested by BPXA and the taking and defending of multiple depositions of key BPXA and State fact witnesses. These activities will continue into FY2012. However, the first half of FY2012 will also focus on the finalization of expert reports (due 9/30/11) and the taking and defending of expert depositions (period closes 12/15/11).

Finally the second half of FY2012 will be spent in intensive preparations for the trial that starts on March 19 of that year and thereafter the trial itself is expected to take most of the remainder of the fiscal year to conclude.