

HB

454

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/24/94

FURTHER:

DATE TURNED INTO OFFICE: 3-26-94

The Finance Committee considered CS FOR HOUSE BILL NO. 454(FIN)

"An Act making a supplemental appropriation to the Department of Law to pay costs of certain continuing legal proceedings; and providing for an effective date."

and recommends:

- replace with _____ CS _____ (FINANCE)
- or adopt previous _____ CS _____ (_____)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

- adopts _____ Letter of Intent
- further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

[Signature]

OTHER RECOMMENDATIONS:

1. *[Signature]*

 Co-Chair: Signature/Recommendation

2. *[Signature]*

 Co-Chair: Signature/Recommendation

SENATE COMMITTEE REPORT

jud

DATE: 3/9/94

FURTHER: Finance

DATE TURNED INTO OFFICE: 3/24/94

Judiciary Committee considered CS FOR HOUSE BILL NO. 454(FIN)

"~~An Act~~ making a supplemental appropriation to the Department of Law to pay costs of certain continuing legal proceedings; and providing for an effective date."

and recommends: and report it
back as follows

- replace with _____ CS _____ ()
- or adopt previous _____ CS _____ ()
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NO FIN APP

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

[Signature]

Deborah Wiley (NO REC)
Emmanuel Attie, No Rec

[Signature]
Chair: Signature and Recommendation

SENATE COMMITTEE REPORT

Jack DATE: 3/9/94

FURTHER: Finance

DATE TURNED INTO OFFICE: 3/24/94

Judiciary Committee considered CS FOR HOUSE BILL NO. 454(FIN)

"An Act making a supplemental appropriation to the Department of Law to pay costs of certain continuing legal proceedings; and providing for an effective date."

and recommends: and report it
back as follows

replace with _____ CS _____ () same title

or adopt previous _____ CS _____ () new title

attaches amendment(s) technical
title change
(HB only)

adopts _____ Letter of Intent

further referral to the _____

- do pass
- do not pass
- no recommendation
- individual recommendations

NO FIN app

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

DO PASS: _____

OTHER RECOMMENDATIONS:

Jack
James

Dr. Arch D. Wiley (NO REC)
William Little, No Rec

Adrian Taylor
Chair, Signature and Recommendation

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 25, 1994

The Honorable Steve Frank
Co-Chair, Senate Finance
Room 518
State Capitol
Juneau, AK 99801-1182

Re: FY 94 Oil and Gas
litigation supplemental
HB 454

Dear Senator Frank:

The Department of Law urgently requests Finance Committee approval of a supplemental appropriation for oil and gas litigation in FY 94 in the amount of \$18,450,000. The appropriation is contained in HB 454 now pending in your committee.

The department is now in the trial preparation stage for four major cases. Two of these cases involve royalty matters set for trial in the spring of 1995. The remaining cases are tax matters set for formal administrative proceedings. All of these cases are complex, involving substantial amounts of time and expense to prepare. The legislature partially funded the FY 1994 oil and gas special litigation budget request unit by appropriating \$10.358 million (l. 11-12, sec. 25, ch. 65, SLA 1993) of the estimated \$25 million needed to finance a full year of litigation activities. Because of the expense of document collection, production and organization, the need to take numerous depositions, and the employment and preparation of experts for all of these cases, the original appropriation has been fully expended.

Consequently, it is imperative that a special supplemental appropriation bill be considered by the Senate Finance Committee at the earliest possible time. There is precedent for expedited consideration of an oil and gas litigation-related supplemental appropriation (see, e.g., ch. 2, SLA 1983; ch. 1, SLA 1981). Without early enactment of a supplemental appropriation, we will be forced to shut down our litigation effort at the most crucial pretrial period. Our efforts in the royalty cases are being driven by scheduling orders imposed by the Superior Court. Our efforts in the tax cases are being driven by the policy of the administration to resolve long standing tax disputes that may add significantly to state revenues.

WALTER J. HICKEL, GOVERNOR

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The supplemental will complete funding in FY 94 for the following major activities:

1. Royalty Cases.

In re ANS Royalty litigation (formerly known as State v. Amerada Hess). This case is scheduled for trial beginning in Spring 1995. The case involves the validity and method of calculation of charges assessed by North Slope producers for the state's royalty oil produced in the form of natural gas liquids. We are incurring significant expense to process over 2,500,000 documents produced by our opponents during discovery. We are also conducting oral depositions of persons who may provide relevant evidence concerning the state or the producer's case. Experts were hired to prepare reports to support the cases of the respective parties. These reports were exchanged with our opponents and we must now depose these experts. In order to be ready for trial, it is crucial to continue funding these activities.

MAPCO. The department is also deeply committed to prosecuting the state's claims against MAPCO for a retroactive price adjustment under certain royalty oil contracts. This case is also scheduled for a Spring 1995 trial. The recovery of over \$100 million is at stake in this case. All other royalty oil purchasers have either admitted liability or settled for substantially all of the state's claims. MAPCO is alone in its denial of liability and is defending this case in a manner which appears to be calculated to cost the state the maximum amount to obtain a judgment. Again, the continuation of funding is crucial to keep up the pace set by MAPCO and the Superior Court.

2. Oil and gas tax cases.

Tax proceedings conducted before the Department of Revenue are confidential. Accordingly, the department is unable to disclose the specific taxpayers, issues, or amounts at issue. It is expected that the cases currently being developed will require the processing of millions of documents and the employment of several experts. Development of these cases is contingent upon additional funding since existing appropriations are fully committed.

3. TAPS cases.

TAPS Corrosion Case. The TAPS corrosion case between the state and the TAPS owners is stayed to permit the parties to undertake a cooperative corrosion control program. The parties hope that the program will provide a basis for settlement of the dispute. The department is expending substantial amounts through

outside counsel to support the cooperative program. It is possible that the program will either continue and the case will settle, or the parties may abandon the cooperative program and return to litigation. If the program continues, the state will incur substantial sums to provide expert support for the program. If the case returns to litigation, the costs of preparing for hearing before the Federal Energy Regulatory Commission could be substantial. Presently, we expect that the cooperative program will be extended by FERC. However, we must be prepared for the other eventuality.

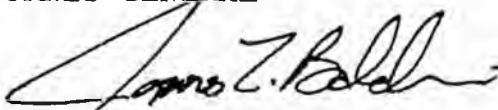
TAPS audit. The department gave the TAPS owners notice of the state's right to audit for tariff review purposes. An audit was last done through 1986. The audit may provide a basis for questioning substantial expenses recovered by the owners through the TAPS tariff. It is expected that the legislature and public will be critical of the time lag since the last audit. It is imperative that the administration anticipate this criticism by moving forward now with the audit. The shortfall in available appropriations will delay the audit. The main audit firm has expressed a reluctance to begin in earnest without assurance of funding. Additionally, Alyeska appears prepared to litigate our right of access to their documents. The litigation will add an unanticipated expense to our audit effort.

In closing, please let me stress the importance of enacting an early supplemental. A temporary cessation of trial preparation would be required in the absence of an early supplemental. This will have a devastating effect on the state's oil and gas litigation. Our trial teams would, for the most part, be disbanded. Reconstruction of the teams later would be difficult and, in the long term, more expensive for the state than continuing our current level of activity. The emergency measures described here would send a signal of weakness to the producers. A shutdown now would make it far more difficult (if not impossible) to arrive at settlements that are acceptable to the state.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By


James L. Baldwin
Assistant Attorney General

The Honorable Steve Frank
Co-Chair, Senate Finance

March 25, 1994
Page 4

cc: Bruce M. Botelho
Attorney General

Dick Pegues, Director
Administrative Services Division

MEMORANDUM

State of Alaska

Department of Law

TO: Charles E. Cole
Attorney General

DATE: November 10, 1993

FILE NO.:

TEL. NO.: 465-3672

SUBJECT: Oil and Gas Litigation
Funding History

Richard I. Pegues

FROM: Richard I. Pegues, Director
Administrative Services Division

The following is a listing of appropriations made to the Department of Law for oil and gas litigation. The appropriations began in FY 77 and continue to the current fiscal year, FY 94. The appropriations were both lapsing and non-lapsing and, thus, most were fully expended. However, perhaps as much as \$300,000 lapsed from the 12-month appropriations.

Department of Law

CH 89/SLA 77	\$ 465.0
CH 113/SLA 78/Pg. 55/Ln. 7	2,000.0
CH 7/SLA 78	958.3
CH 80/SLA 79/Pg. 46/Ln. 22	1,500.0
CH 120/SLA 80/Pg. 62/Ln. 16	2,000.0
CH 50/SLA 80/Sec. 257	1,920.0
CH 1/SLA 81/Secs. 1-2	10,615.0
CH 1/SLA 81/Sec. 5	734.0
CH 101/SLA 82/Sec. 40	815.2
CH 101/SLA 82/Sec. 42	4,433.4
CH 101/SLA 82/Sec. 43	211.7
CH 101/SLA 82/Sec. 44	436.0
CH 107/SLA 83/Sec. 11	11,222.7
CH 2/SLA 83/Secs. 2-3	5,425.2
CH 122/SLA 84/Sec. 11	9,149.6
CH 98/SLA 85/Sec. 12	9,149.6
CH 129/SLA 86/Sec. 12	8,900.0
CH 130/SLA 86/Sec. 4	488.0

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Department of Law (Cont'd.)

CH 95/SLA 87/Sec. 20	9,483.8
CH 9/SLA 87	(1,912.1)
CH 154/SLA 88/Sec. 17	14,474.0
CH 173/SLA 88/Sec. 4	400.0
CH 173/SLA 88/Sec. 5	1,539.0
CH 116/SLA 89/Sec. 25	14,000.0 ¹
CH 17/SLA 90/Sec. 1(p)	747.6
CH 17/SLA 90/Sec. 1(q)	8,274.3
CH 209/SLA 90/Sec. 30(a)	10,500.0
CH 207/SLA 90/Sec. 30(b)	3,500.0 ²
CH 1/SLA 91/Sec. 14	12,000.0 ³
CH 73/SLA 91/Sec. 40	11,000.0 ⁴
CH 8/SLA 92/Sec. 2	15,500.0 ⁵
CH 136/SLA 92/Sec. 44	10,358.4 ⁶
CH 41/SLA 93/Sec. 77	8,800.0 ⁷

¹ 3,500.0 of this appropriation is from the Permanent Fund Reserve Account to Law; the remaining 10,500.0 is from the general fund.

² This 3,500.0 appropriation is from the Permanent Fund Reserve Account to the Permanent Fund Board. The Board in turn provided these funds to Law for royalty and title litigation purposes.

³ 2,000.0 of this appropriation is from the Permanent Fund Earnings Reserve Account; the remaining 10,000.0 is from the general fund.

⁴ 1,750.0 of this appropriation is from the Permanent Fund Earnings Reserve Account to Law; the remaining 9,250.0 is from the general fund.

⁵ 2,500.0 of this appropriation is from the Permanent Fund Earnings Reserve Account to Law; the remaining 13,000.0 is from the general fund.

⁶ 2,750.0 of this appropriation is from the Permanent Fund Earnings Reserve Account to Law; the remaining 7,608.4 is from the general fund.

⁷ 2,200.0 of this amount is from Permanent Fund Corporation receipts. The remaining 6,600.0 is from the general fund.

CH 65/SLA 93/Sec. 25

10,358.4⁸

TOTAL

\$199,447.1

cc: Bruce M. Botelho
Deputy Attorney General

⁸

2,750.0 of this amount is from Permanent Fund Corporation receipts. The remaining 7,608.4 is from the general fund.

WALTER J. HICKEL, GOVERNOR

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DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

March 25, 1994

The Honorable Steve Frank
Co-Chair, Senate Finance
Room 518
State Capitol
Juneau, AK 99801-1182

Oil and Gas Settlements

Dear Senator Frank:

The following are estimates of savings or payments to the state as a result of litigation efforts under the oil and gas BRU:

Year Settlement <u>Signed</u>	Payment <u>Description</u>	Immediate Payment <u>(nearest thou.)</u>	Future Benefit <u>(nearest thou.)</u>
Gas royalty settlements			
1982	Union Cook Inlet royalty settlement	\$ 848,000	\$
1984	Phillips LNG royalty settlement	36,300,000	
1985	Marathon LNG royalty settlement	4,300,000	
1985	Union and Marathon royalty settlement	4,200,000	
1986	ARCO, Chevron & Shell Cook Inlet gas royalty settlement	1,568,000	
1988	Union royalty settlement	<u>300,000</u>	
	Sub-total	47,516,000	

Oil royalty settlements

North Slope royalty case¹

1989	Amerada Hess	318,624	
1990	ARCO Alaska	287,000,000	
1990	Freeport-McMoRan	331,000	
1991	Marathon	424,039	
1991	British Petroleum	185,000,000	
1991	Phillips	12,944,960	
1991	LL&E	251,848	
1992	Mobil	17,000,000	
1992	Texaco-Getty	3,200,000	
1992	Chevron	4,888,130	
1992	Exxon	128,000,000	
1992	Shell	203,854	
1992	Petro Star	2,100,000	
1993	Tesoro	10,273,000	115,500,000
1993	Chevron	87,700,000	
	Subtotal	732,635,455	115,500,000

Tax settlements²

Taxpayer A	\$243,000,000
Taxpayer B	172,200,000
Taxpayer C	28,100,000
Taxpayer D	5,525,000
Taxpayer E	2,257,000
Taxpayer F	32,800,000
Taxpayer G	2,075,000
Taxpayer H	19,000,000
Taxpayer I	165,000,000
Taxpayer J	3,000,000
Taxpayer K	851,000
Taxpayer L	13,573,000
Taxpayer M	630,000,000
Taxpayer N	50,273,000
Taxpayer O	3,500,000

¹ This amount only includes settlements for the past. It does not include estimate of future revenues to the state that will occur - without litigation - under a future formula agreed to by each of the parties who have settled.

² These cases do not include the state's victory in *Atlantic Richfield Co. v. State*, 705 P.2d 418 (Alaska 1985), in which the state's separate accounting methodology was upheld, thus voiding oil company claims of \$2 billion in tax refunds.

Taxpayer P	69,824,000
Taxpayer Q	42,200,000
Taxpayer R	650,000
Taxpayer S	4,002,000
Taxpayer T	6,858,000
Taxpayer U	9,600,000
Taxpayer V	<u>63,870,000</u>

Subtotal	1,568,158,000
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Federal government revenue sharing

1986	Congressional settlement	51,000,000	135,000,000
1987	Congressional authorization state to receive its minimum "8(g)" share of Dinkum Sands escrow account	<u>323,000,000</u>	<u>135,000,000</u>
	Subtotal	374,000,000	135,000,000

Federal Energy Regulatory Commission Proceedings (through 1992)

1984	Kuparuk I settlement		6,000,000
1985	TAPS settlement ³	250,460,000	2,649,650,000
1990	Milne Point settlement		2,500,000
1991	Kuparuk II settlement		82,600,000
1993	Endicott Pipeline	<u>10,200,000</u>	<u>3,800,000</u>
	Subtotal	260,660,000	2,744,550,000

TOTAL		\$2,982,969,455	\$2,995,050,000
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GRAND TOTAL		<u>\$5,978,019,455</u>	
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Please note that frequently the full benefit of the settlement is not reflected in the retroactive amount. Typically, the dispute was resolved prospectively as well. The 1985 settlement with Union and Marathon is an example of a case where the prospective benefit was probably greater than the retroactive benefit. In the 8(g) case, winning 27 percent of federal revenues in the 8(g) zone in 1986 opened the way to receiving

³ In addition, the state received approximately \$33.28 million in costs and attorney's fees paid into the general fund.

The Honorable Steve Frank
Co-Chair, Senate Finance

March 25, 1994
Page 4

\$323 million in 1987, and to 27 percent of future revenues as well.

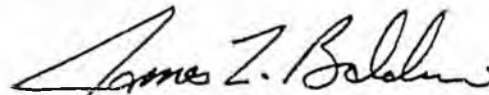
This summary does not include savings in which attempts to interfere with state's revenue opportunities have been thwarted. For example, we successfully defended against vigorous efforts by ARCO and Exxon to have the U.S. District Court in Kansas enjoin tax claims potentially worth over \$100 million. We have, of course, also defended the state's oil and gas leasing program against various attacks.

If you have any questions, please do not hesitate to contact me.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By:



James L. Baldwin
Assistant Attorney General

JLB:tg

MORRISON & FOERSTER

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VIA UPS OVERNIGHT

James L. Baldwin
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RECEIVED
Department of Law
MAR 14 1994
AM 7 8 9 10 11 12 1 2 3 4 5 6 PM

Dear Jim:

The "return on investment" of 13 to 1 cited in the newspaper story on oil and gas litigation expenses seemed low to us. The substantial settlement benefits from lower tariff rates seem to have been omitted. In any event, we thought you might be able to use an update of the revenue effect of the settlements for TAPS and all three feeder pipelines. Summary tables and more detailed backup schedules are enclosed.

I asked Horst, Frisch to separate out the refund revenues for the Kuparuk and Endicott settlements. (See Table 3.) When these refunds are added to those from the TAPS settlement (Table 1), the total in direct revenue resulting from refunds is approximately \$315 million. In addition, lower tariff rates have thus far increased royalty and severance taxes by approximately \$3.5 billion, measured against the filed rates prior to the settlements.

Please call if you have any questions or would like additional analyses. These numbers can be updated quickly at any time.

Best regards,

Ellen E. Deason

Enclosures

TABLE 1
TAPS SETTLEMENT AGREEMENT
ADDITIONAL REVENUES COLLECTED BY THE STATE OF ALASKA UNDER
THE TAPS SETTLEMENT AGREEMENT THROUGH 1994 (\$ MILLIONS)

	<u>Resulting From Refunds</u>	<u>Resulting From Lower Tariffs (1985 - 1994)</u>	<u>Total</u>
Additional Royalties	\$108.41	\$1,826.83	\$1,935.24
Additional Production Taxes	108.77	1,651.07	1,759.84
Reimbursement of Litigation Expenses	<u>33.28</u>	<u>0.00</u>	<u>33.28</u>
TOTAL	<u><u>\$250.46</u></u>	<u><u>\$3,477.89</u></u>	<u><u>\$3,728.35</u></u>

Horst, Frisch, Clowery & Finan
March 7, 1994

TABLE 2
TAPS SETTLEMENT AGREEMENT
BENEFIT FROM REDUCED TAPS TARIFFS (12/12/85-12/31/93)
(revenue amounts in millions)

	Prudhoe Bay	Kuparuk	Milne Point	Endicott	Lisburne	NGLs	Explanation
1985							
1 Annual Oil Movement (million bbls)	587,948	78,799	0,704	0,000	0,000	0,000	Alaska Department of Revenue
2 Pro-rated for Last 20 Days of Year	31,120	4,318	0,039	0,000	0,000	0,000	20/365 x Line 1
3 Pro-rated Deliveries of 5 Carriers	20,279	2,814	0,025	0,000	0,000	0,000	65.1637% x Line 2
4 Pre-TSM Tariff (Weighted Average-8 Carriers)	\$6.16	\$6.28	\$6.28	\$0.00	\$0.00	\$0.00	1985 BOY Tariffs (Effective Until 12/12/85)
5 Weighted Average TSM Tariff (6 carriers)	\$5.31	\$5.31	\$5.31	\$0.00	\$0.00	\$0.00	Settlement Agreement, Exhibit D
6 Tariff Differential	\$0.85	\$0.97	\$0.97	\$0.00	\$0.00	\$0.00	Line 4 - Line 5
7 Tariff Revenue Effect	\$17,237	\$2,729	\$0,024	\$0,000	\$0,000	\$0,000	Line 3 x Line 6
8 Royalty Rate	12.50%	12.50%	18.35%	0.00%	0.00%	0.00%	Alaska Department of Revenue
9 Royalties	\$2,155	\$0,341	\$0,004	\$0,000	\$0,000	\$0,000	Line 7 x Line 8
10 State Production Tax Rate	NA	NA	NA	NA	NA	NA	Not Applicable
11 Economic Limitation Factor (ELF)	NA	NA	NA	NA	NA	NA	Not Applicable
12 Effective Production Tax Rate	15.00%	8.86%	6.00%	0.00%	0.00%	0.00%	Alaska Department of Revenue
13 Production Taxes	\$2,262	\$0,164	\$0,001	\$0,000	\$0,000	\$0,000	Line 12 x (Line 7 - Line 9)
14 Residual Benefit to TAPS Shippers	\$12,820	\$2,224	\$0,019	\$0,000	\$0,000	\$0,000	Line 7 - Line 9 - Line 13
1986							
15 Annual Oil Movement (million bbls)	581,280	93,993	4,709	0,000	0,000	0,000	Alaska Department of Revenue
16 Pro-rated (6 Carriers, full year)	365,751	61,249	3,069	0,000	0,000	0,000	65.1637% x Line 15
17 Pro-rated (2 Carriers, 169 days)	90,533	15,161	0,760	0,000	0,000	0,000	34.8363% x Line 15 x 169/365
18 Pre-TSM Tariff (Weighted Average-8 Carriers)	\$6.16	\$6.28	\$6.28	\$0.00	\$0.00	\$0.00	1985 BOY Tariffs (Effective Until 12/12/85)
19 Pre-TSM Tariff (Weighted Average-2 Carriers)	\$5.69	\$5.76	\$5.76	\$0.00	\$0.00	\$0.00	1986 BOY Tariffs (Effective Until 7/15/86)
20 Weighted Average TSM Tariff (All 8 Carriers)	\$4.49	\$4.60	\$4.60	\$0.00	\$0.00	\$0.00	TSM Rates
21 Tariff Differential (6 Carriers)	\$1.67	\$1.68	\$1.68	\$0.00	\$0.00	\$0.00	Line 18 - Line 20
22 Tariff Differential (2 Carriers)	\$1.20	\$1.16	\$1.16	\$0.00	\$0.00	\$0.00	Line 19 - Line 20
23 Tariff Revenue Effect	\$719,443	\$120,485	\$6,038	\$0,000	\$0,000	\$0,000	Line 16 x Line 21 + Line 17 x Line 22
24 Royalty Rate	12.50%	12.50%	18.35%	0.00%	0.00%	0.00%	Alaska Department of Revenue
25 Royalties	\$89,930	\$15,061	\$1,108	\$0,000	\$0,000	\$0,000	Line 23 x Line 24
26 State Production Tax Rate	15.00%	15.00%	12.25%	0.00%	0.00%	0.00%	Alaska Department of Revenue
27 Economic Limitation Factor (ELF)	100.00%	57.61%	21.33%	0.00%	0.00%	0.00%	Alaska Department of Revenue
28 Effective Production Tax Rate	15.00%	8.64%	2.61%	0.00%	0.00%	0.00%	Line 26 x Line 27
29 Production Taxes	\$94,427	\$9,110	\$0,129	\$0,000	\$0,000	\$0,000	Line 28 x (Line 23 - Line 25)
30 Residual Benefit to TAPS Shippers	\$535,086	\$96,314	\$4,800	\$0,000	\$0,000	\$0,000	Line 23 - Line 25 - Line 29

TABLE 2
TAPS SETTLEMENT AGREEMENT
BENEFIT FROM REDUCED TAPS TARIFFS (12/12/85-12/31/93)
(revenue amounts in millions)

	Prudhoe Bay	Kuparuk	Milne Point	Endicott	Lisburne	NGLs	Explanation
1987							
31 Annual Oil Movement (million bbls)	572,301	102,898	0.040	8,770	16,090	9,898	Alaska Department of Revenue
32 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
33 Weighted Average TSM Tariff	\$3.91	\$4.07	\$4.07	\$4.42	\$3.86	\$3.91	TSM Rates
34 Tariff Differential	\$2.09	\$2.03	\$2.03	\$1.68	\$2.14	\$2.09	Line 32 - Line 33
35 Tariff Revenue Effect	\$1,196,109	\$208,879	\$0,081	\$14,734	\$34,433	\$20,683	Line 31 x Line 34
36 Royalty Rate	12.50%	12.50%	18.35%	14.45%	12.50%	12.50%	Alaska Department of Revenue
37 Royalties	\$149,514	\$26,110	\$0,015	\$2,129	\$4,304	\$2,585	Line 35 x Line 36
38 State Production Tax Rate	15.00%	15.00%	12.25%	12.25%	12.25%	10.00%	Alaska Department of Revenue
39 Economic Limitation Factor (ELF)	91.40%	54.94%	31.16%	100.00%	74.83%	100.00%	Alaska Department of Revenue
40 Effective Production Tax Rate	13.71%	8.24%	3.82%	12.25%	9.18%	10.00%	Line 38 x Line 39
41 Production Taxes	\$143,488	\$15,062	\$0,003	\$1,544	\$2,765	\$1,810	Line 40 x (Line 35 - Line 37)
42 Residual Benefit to TAPS Shippers	\$903,107	\$167,707	\$0,064	\$11,061	\$27,363	\$16,288	Line 35 - Line 37 - Line 41
1988							
43 Annual Oil Movement (million bbls)	558,182	110,642	0.000	37,498	14,688	20,078	Alaska Department of Revenue
44 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$0.00	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
45 Weighted Average TSM Tariff	\$3.14	\$3.35	\$0.00	\$3.08	\$3.35	\$3.14	TSM Rates
46 Tariff Differential	\$2.86	\$2.75	\$0.00	\$3.04	\$2.65	\$2.86	Line 44 - Line 45
47 Tariff Revenue Effect	\$1,596,401	\$304,266	\$0,000	\$113,894	\$38,923	\$57,417	Line 43 x Line 46
48 Royalty Rate	12.50%	12.50%	0.00%	14.45%	12.50%	12.50%	Alaska Department of Revenue
49 Royalties	\$199,550	\$38,033	\$0,000	\$18,472	\$4,865	\$7,177	Line 47 x Line 48
50 State Production Tax Rate	15.00%	15.00%	0.00%	12.25%	12.25%	10.00%	Alaska Department of Revenue
51 Economic Limitation Factor (ELF)	82.80%	57.70%	0.00%	100.00%	55.31%	100.00%	Alaska Department of Revenue
52 Effective Production Tax Rate	12.42%	8.66%	0.00%	12.25%	6.78%	10.00%	Line 50 x Line 51
53 Production Taxes	\$173,489	\$23,042	\$0,000	\$11,946	\$2,308	\$5,024	Line 52 x (Line 47 - Line 49)
54 Residual Benefit to TAPS Shippers	\$1,223,362	\$243,190	\$0,000	\$85,575	\$31,750	\$45,216	Line 47 - Line 49 - Line 53
1989							
55 Annual Oil Movement (million bbls)	505,881	109,570	1.714	35,732	13,081	17,800	Alaska Department of Revenue
56 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
57 Weighted Average TSM Tariff	\$3.01	\$3.22	\$3.22	\$3.25	\$2.90	\$3.01	TSM Rates
58 Tariff Differential	\$2.99	\$2.88	\$2.88	\$2.85	\$3.10	\$2.99	Line 56 - Line 57
59 Tariff Revenue Effect	\$1,512,584	\$315,562	\$4,936	\$101,836	\$40,551	\$53,222	Line 55 x Line 58
60 Royalty Rate	12.50%	12.50%	18.35%	14.45%	12.50%	12.50%	Alaska Department of Revenue
61 Royalties	\$189,073	\$39,445	\$0,906	\$14,715	\$5,069	\$6,653	Line 59 x Line 60
62 State Production Tax Rate	15.00%	15.00%	12.25%	12.25%	12.25%	10.00%	Alaska Department of Revenue
63 Economic Limitation Factor (ELF)	90.62%	73.86%	0.00%	90.39%	24.95%	100.00%	Alaska Department of Revenue
64 Effective Production Tax Rate	13.59%	11.08%	0.00%	11.07%	3.06%	10.00%	Line 62 x Line 63
65 Production Taxes	\$179,905	\$30,591	\$0,000	\$9,647	\$1,084	\$4,657	Line 64 x (Line 59 - Line 61)
66 Residual Benefit to TAPS Shippers	\$1,143,606	\$245,525	\$4,031	\$77,474	\$34,398	\$41,912	Line 59 - Line 61 - Line 65

TABLE 2
TAPS SETTLEMENT AGREEMENT
BENEFIT FROM REDUCED TAPS TARIFFS (12/12/85-12/31/93)
(revenue amounts in millions)

	Prudhoe Bay	Kuparuk	Milne Point	Endicott	Lisburne	NGLs	Explanation
1990							
67 Annual Oil Movement (million bbls)	470.127	108.151	6.828	36.181	14.468	18.182	Alaska Department of Revenue
68 Pre-TSM Tariff (Weighted Average)	\$8.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
69 Weighted Average TSM Tariff	\$3.90	\$4.19	\$4.19	\$4.29	\$3.73	\$3.90	TSM Rates
70 Tariff Differential	\$2.10	\$1.91	\$1.91	\$1.81	\$2.27	\$2.10	Line 68 - Line 69
71 Tariff Revenue Effect	\$987.267	\$206.568	\$12.659	\$65.488	\$32.828	\$38.140	Line 67 x Line 70
72 Royalty Rate	12.50%	12.50%	18.35%	14.45%	12.50%	12.50%	Alaska Department of Revenue
73 Royalties	\$120,408	\$25,821	\$2,323	\$9,463	\$4,105	\$4,768	Line 71 x Line 72
74 State Production Tax Rate	15.00%	15.00%	12.25%	12.25%	12.25%	10.00%	Alaska Department of Revenue
75 Economic Limitation Factor (ELF)	89.46%	87.64%	0.00%	78.98%	0.96%	100.00%	Alaska Department of Revenue
76 Effective Production Tax Rate	14.92%	13.15%	0.00%	9.68%	0.12%	10.00%	Line 74 x Line 75
77 Production Taxes	\$128,879	\$23,761	\$0.000	\$5,420	\$0,034	\$3,337	Line 76 x (Line 71 - Line 73)
78 Residual Benefit to TAPS Shippers	\$734,979	\$156,908	\$10,336	\$50,604	\$28,699	\$30,035	Line 71 - Line 73 - Line 77
1991							
79 Annual Oil Movement (million bbls)	465.375	113.150	7.300	41.245	13.505	23.725	Alaska Dept. of Revenue Est. (11/5/92)
80 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
81 Weighted Average TSM Tariff	\$3.59	\$3.89	\$3.89	\$3.87	\$3.47	\$3.59	TSM Rates
82 Tariff Differential	\$2.41	\$2.21	\$2.21	\$2.23	\$2.53	\$2.41	Line 80 - Line 81
83 Tariff Revenue Effect	\$1,121,554	\$250,062	\$16,133	\$91,876	\$34,168	\$57,177	Line 79 x Line 82
84 Royalty Rate	12.50%	12.50%	18.38%	14.69%	12.50%	12.50%	Alaska Department of Revenue (11/5/92)
85 Royalties	\$140,194	\$31,258	\$2,965	\$13,508	\$4,271	\$7,147	Line 83 x Line 84
86 State Production Tax Rate	15.00%	15.00%	12.25%	12.25%	12.25%	10.00%	Alaska Department of Revenue
87 Economic Limitation Factor (ELF)	99.44%	87.96%	0.00%	72.78%	0.75%	100.00%	Alaska Department of Revenue (11/5/92)
88 Effective Production Tax Rate	14.92%	13.15%	0.00%	8.92%	0.09%	10.00%	Line 86 x Line 87
89 Production Taxes	\$116,380	\$28,869	\$0.000	\$6,996	\$0,027	\$5,003	Line 88 x (Line 83 - Line 85)
90 Residual Benefit to TAPS Shippers	\$834,980	\$189,935	\$13,168	\$71,472	\$29,869	\$45,027	Line 83 - Line 85 - Line 89
1992							
91 Annual Oil Movement (million bbls)	431.148	117.852	6.954	41.724	12.444	26.718	Alaska Dept. of Revenue Est. (3/4/94)
92 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
93 Weighted Average TSM Tariff	\$3.44	\$3.66	\$3.66	\$3.65	\$3.32	\$3.44	TSM Rates
94 Tariff Differential	\$2.56	\$2.44	\$2.44	\$2.45	\$2.68	\$2.56	Line 92 - Line 93
95 Tariff Revenue Effect	\$1,103,739	\$297,559	\$16,968	\$102,224	\$33,350	\$68,398	Line 91 x Line 94
96 Royalty Rate	12.50%	12.52%	18.38%	14.84%	12.50%	12.50%	Alaska Department of Revenue (3/4/94)
97 Royalties	\$137,967	\$35,989	\$3,119	\$14,966	\$4,169	\$8,550	Line 95 x Line 96
98 State Production Tax Rate	15.00%	14.97%	12.25%	12.25%	13.40%	10.00%	Alaska Department of Revenue (3/4/94)
99 Economic Limitation Factor (ELF)	89.31%	88.04%	0.00%	74.13%	0.17%	100.00%	Alaska Department of Revenue (3/4/94)
100 Effective Production Tax Rate	14.90%	13.18%	0.00%	9.09%	0.02%	10.00%	Line 98 x Line 99
101 Production Taxes	\$143,866	\$33,163	\$0.000	\$7,930	\$0,007	\$5,985	Line 100 x (Line 95 - Line 97)
102 Residual Benefit to TAPS Shippers	\$821,905	\$218,407	\$13,849	\$79,328	\$29,175	\$53,863	Line 95 - Line 97 - Line 101

TABLE 2
TAPS SETTLEMENT AGREEMENT
BENEFIT FROM REDUCED TAPS TARIFFS (12/12/85-12/31/93)
(revenue amounts in millions)

	Prudhoe Bay	Kuparuk	Milne Point	Endicott	Lisburne	NGLs	Explanation
<u>1993</u>							
103 Annual Oil Movement (million bbls)	386.170	114.975	6.935	39.055	16.060	27.010	Alaska Dept. of Revenue Est. (3/4/94)
104 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
105 Weighted Average TSM Tariff	\$2.91	\$3.12	\$3.12	\$3.09	\$2.80	\$2.91	TSM Rates
106 Tariff Differential	\$3.09	\$2.98	\$2.98	\$3.01	\$3.20	\$3.09	Line 104 - Line 105
107 Tariff Revenue Effect	\$1,193.265	\$342.626	\$20.666	\$117.556	\$51.392	\$83.461	Line 103 x Line 106
108 Royalty Rate	12.50%	12.50%	18.35%	14.44%	12.50%	12.50%	Alaska Department of Revenue (3/4/94)
109 Royalties	\$149.158	\$42.828	\$3.792	\$16.975	\$6.424	\$10.433	Line 107 x Line 108
110 State Production Tax Rate	15.00%	15.00%	15.00%	15.00%	15.00%	10.00%	Alaska Department of Revenue (3/4/94)
111 Economic Limitation Factor (ELF)	98.80%	88.14%	0.00%	79.10%	0.00%	78.00%	Alaska Department of Revenue (3/4/94)
112 Effective Production Tax Rate	14.84%	13.22%	0.00%	11.87%	0.00%	7.80%	Line 110 x Line 111
113 Production Taxes	\$154.893	\$39.636	\$0.000	\$11.934	\$0.000	\$5.896	Line 112 x (Line 107 - Line 109)
114 Residual Benefit to TAPS Shippers	\$889.214	\$260.161	\$16.874	\$88.647	\$44.968	\$67.332	Line 107 - Line 109 - Line 113
<u>1994</u>							
115 Annual Oil Movement (million bbls)	392.193	113.150	6.570	36.500	29.748	28.288	Alaska Dept. of Revenue Est. (3/4/94)
116 Pre-TSM Tariff (Weighted Average)	\$6.00	\$6.10	\$6.10	\$6.10	\$6.00	\$6.00	1985 BOY Tariffs
117 Weighted Average TSM Tariff	\$3.28	\$3.53	\$3.53	\$3.46	\$3.14	\$3.28	TSM Rates
118 Tariff Differential	\$2.74	\$2.57	\$2.57	\$2.64	\$2.86	\$2.74	Line 116 - Line 117
119 Tariff Revenue Effect	\$1,074.607	\$290.796	\$16.885	\$96.360	\$85.078	\$77.506	Line 115 x Line 118
120 Royalty Rate	12.50%	12.50%	18.35%	14.44%	12.50%	12.50%	Alaska Department of Revenue (3/4/94)
121 Royalties	\$134.328	\$36.349	\$3.098	\$13.914	\$10.635	\$9.698	Line 119 x Line 120
122 State Production Tax Rate	15.00%	15.00%	15.00%	15.00%	15.00%	10.00%	Alaska Department of Revenue (3/4/94)
123 Economic Limitation Factor (ELF)	98.80%	86.58%	0.00%	73.64%	0.00%	78.00%	Alaska Department of Revenue (3/4/94)
124 Effective Production Tax Rate	14.82%	12.99%	0.00%	11.05%	0.00%	7.80%	Line 122 x Line 123
125 Production Taxes	\$139.350	\$33.045	\$0.000	\$9.107	\$0.000	\$5.290	Line 124 x (Line 119 - Line 121)
126 Residual Benefit to TAPS Shippers	\$800.932	\$221.401	\$13.787	\$73.339	\$74.443	\$62.529	Line 119 - Line 121 - Line 125
<u>Summary: 1985-1994</u>							
127 Total Tariff Revenue Effect	\$10,522.206	\$2,329.530	\$94.390	\$704.167	\$350.732	\$456.008	Sum of Lines 7, 23, 35, 47, 59, 71, 83, 95, 107, 119
Benefit to State							
128 Total Royalties	\$1,315.278	\$291.235	\$17.330	\$102.143	\$43.842	\$57.001	Sum of Lines 9, 25, 37, 49, 61, 73, 85, 97, 109, 121
129 Total Production Taxes	\$1,306.939	\$236.444	\$0.133	\$64.524	\$6.225	\$36.802	Sum of Lines 13, 29, 41, 53, 65, 77, 89, 101, 113, 125
130 Residual Benefit to Shippers	\$7,899.991	\$1,801.851	\$76.927	\$537.500	\$300.665	\$362.204	Sum of Lines 14, 30, 42, 54, 66, 78, 90, 102, 114, 126

Assumptions

- 1 Pre-TSM tariff rates for Lisburne and NGLs are assumed equal to the Prudhoe Bay Sadlerochit weighted average rate of \$6.00.
- 2 Pre-TSM tariff rates for Milne Point and Endicott are assumed equal to the Kuparuk weighted average rate of \$6.10.
- 3 NGL production tax rate set equal to 10 percent and ELF assumed equal to 100 percent.
- 4 TSM tariff rates for NGLs are assumed equal to the Prudhoe Bay Sadlerochit TSM rates.
- 5 Schrader Bluff production included with Milne Point amounts.
- 6 Sag Delta production included with Endicott amounts.
- 7 Pt. McIntyre production included with Lisburne amounts.

TABLE 3
 ADDITIONAL REVENUES COLLECTED BY THE STATE OF ALASKA UNDER THE
 KUPARUK, MILNE POINT, AND ENDICOTT SETTLEMENT AGREEMENTS
 THROUGH 1994

	<u>Resulting From Refunds</u>	<u>Resulting From Lower Tariffs</u>	<u>Total</u>
Kuparuk Settlement	\$52,712,242	\$33,378,823	\$86,091,065
Milne Point Settlement	0	4,900,190	4,900,190
Endicott Settlement	11,533,280	4,356,173	15,889,453
TOTAL	<u>\$64,245,523</u>	<u>\$42,635,186</u>	<u>\$106,880,708</u>

Horst, Frisch, Clowery & Finan
 10-Mar-94

TABLE 4
STATE REVENUE IMPACT OF KUPARUK AND MILNE POINT SETTLEMENTS

Horizontal Chemistry & Finance
10 Mar 94

	1994	1995	1996	1997	1998	1999	1990	1991	1992	1993	1994	
KUPARUK SETTLEMENT.												
TARIFFS (\$/BBL)												
1 Filed	\$0.69	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61	\$0.61
2 Settlement	0.345	0.345	0.345	0.345	0.265	0.265	0.265	0.210	0.210	0.210	0.210	0.210
3 THROUGHPUT [1]	14,401,027	80,138,798	99,469,576	103,241,369	110,464,577	112,971,574	113,224,905	115,705,000	124,806,000	121,910,000	119,720,000	
4 Filed	\$9,936,708	\$49,047,134	\$60,375,704	\$62,974,246	\$67,383,392	\$68,18,989	\$68,671,000	\$70,175,180	\$75,694,944	\$73,938,517	\$72,910,281	
5 Settlement	4,869,354	27,647,885	34,317,004	35,618,272	29,273,113	21,137,467	20,004,870	24,298,050	25,209,200	25,601,900	25,141,200	
6 STATE REVENUE IMPACT [2]	18.5300%	18.5629%	20.0825%	19.7117%	20.0731%	22.0878%	23.8719%	23.6818%	23.6274%	23.7431%	23.5610%	
7 STATE GAIN VS FILED TARIFFS	\$920,636	\$3,972,321	\$5,233,265	\$5,392,727	\$7,649,914	\$8,551,829	\$9,153,072	\$10,811,530	\$11,692,180	\$11,476,801	\$11,184,199	
8 CUMULATIVE STATE GAIN	\$920,636	\$4,892,957	\$10,126,222	\$15,518,549	\$23,168,464	\$31,720,293	\$40,873,364	\$51,737,894	\$63,430,075	\$74,906,876	\$86,091,066	
MILNE POINT SETTLEMENT.												
9 Filed Tariff							\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91
10 Settlement Tariff							\$1.47	\$1.20	\$1.18	\$0.78	\$0.95	\$0.95
11 Differential							\$0.44	\$0.71	\$0.73	\$1.13	\$0.96	\$0.96
12 Throughput [1]							6,627,242	6,570,000	6,954,000	6,935,000	6,570,000	6,570,000
13 Revenue Reduction							2,915,989	4,654,700	5,078,420	7,876,560	6,307,200	6,307,200
14 State Gain - %							18.3500%	18.3500%	18.0000%	18.3500%	18.3500%	18.3500%
15 State Gain							\$35,084	\$55,972	\$13,759	\$1,438,007	\$1,157,377	\$1,157,377
16 Cumulative State Gain							\$35,084	\$1,391,059	\$2,304,812	\$3,742,819	\$4,900,196	\$4,900,196

[1] 1992 through 1994 throughput estimates for Kuparuk (includes Milne Point and Schrader Bluff) and Milne Point (includes Schrader Bluff) provided by Alaska Department of Revenue (1/4/94)

[2] Royalty and production taxes for Kuparuk and Milne are weighted by throughput volumes. Tax rates provided by Alaska Department of Revenue.

TABLE 5
STATE REVENUE IMPACT OF ENDICOTT SETTLEMENT AGREEMENT

Horst, Frisch, Clowery & Finan
03/09/94

<u>Year</u>	<u>Tariff Rate (\$/bbl)</u>	<u>State Revenue Impact As of 3/4/94</u>
1987	\$0.623	\$297,412
1988	0.617	1,312,403
1989	0.636	892,644
1990	0.537	1,868,811
1991	0.453	2,755,714
1992	0.407	2,756,962
1993	0.410	2,827,430
1994	0.340	3,178,077
Total (1987-1994)		<u>\$15,889,453</u>

Notes:

- [1] Impact of Settlement measured relative to tariff rates of \$0.71/bbl.
- [2] Combined State royalty and production tax rates for 1993 and 1994 provided by the Alaska Department of Revenue on 3/4/94.

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WILSON L. CONDON
PARTNER

March 1, 1994

VIA FAX 586-1987

Gregg Erickson
Alaska Budget Report Editor
319 Seward Street, Suite 6
Juneau, AK 99801

Dear Gregg:

While I am always glad to hear from old colleagues, your call to me yesterday afternoon caught me somewhat by surprise. If my response to your inquiries concerning my litigation management responsibilities on behalf of the State with respect to the oil and gas royalty and tax collection cases was less than detailed, I had several very good reasons for my brevity. First, as you know, all details of tax collection cases at the administrative level are confidential by statute. See AS 43.05.230. Second, with respect to royalty collection, my firm is presently lead counsel for the State in the ANS Royalty Litigation (gas royalty valuation and related field cost accounting issues), State v. Mapco, and Mapco v. State (royalty oil price adjustment claims against Mapco under four royalty oil sales contracts).¹

You are now an expert witness for the oil companies, and adverse against the State in the pending gas phase of the ANS Royalty Litigation case, and your inquiry yesterday places me in a "Catch 22" ethical dilemma. In particular, a detailed response about the legal fees my firm has billed the State with respect to the ongoing gas litigation may disclose the State's litigation strategies or theories. Adding to my ethical dilemma is the fact that the sensitive information you seek pertains to the very same case in which you are expert witness adverse to the State.

¹ My firm's representation of the State in the oil valuation phase of the ANS Royalty Litigation and in the royalty valuation of North Cook Inlet gas (State v. Phillips) dates back to 1983.

Gregg Erickson
March 1, 1994
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Nevertheless, upon instruction from Attorney General Botelho, I am sending you two schedules which provide details on the work for which the State has asked me to assume responsibility as lead counsel. The first schedule sets forth considerable detail concerning the work which led to the oil royalty settlements with both the Prudhoe Bay and Kuparuk producers and all but one of the State's ANS royalty-in-kind purchasers. The second schedule is a very brief summary schedule dealing with the various on-going matters described above.

To obtain the \$800 million paid to the State as a result of the Phillips LNG and ANS oil value royalty settlements, the State paid almost \$73 million in litigation fees and costs. As you can see from the first schedule, \$9.7 million was for attorneys fees to my firm for 75,000 hours of attorney services; \$7.3 million was for 222,000 hours of professional paralegal services provided by my firm; \$4.4 million covered the out of pocket costs my firm advanced on behalf of the State's litigation efforts. As you can also see, my firm's total billings, including costs and professional fees, were \$21 million. The cost to our firm for the fees of co counsel during this phase of the litigation was \$22.5 million. The fees for our expert consultants cost the State \$29.2 million.

As you may remember from the information you learned about this litigation while you were employed in the Governor's budget office, the enormous expenditure on expert consultants and on paraprofessionals in our firm was occasioned by the massive data collection effort necessary to prove how the producers marketed each and every barrel of ANS crude oil produced from 1977 through 1986. The data collection effort cost money because it was both difficult to do and a big job. The following statistics underscore that point. The 5.2 billion barrels of ANS crude produced during this time period required over 15,000 tanker voyages -- roughly 7,500 Valdez loadings and 7,500 Panama loadings. Each Valdez loading triggered one or more inventory and tariff transactions with respect to the crude oil inventory in Valdez. During this time period there were 26,044 such tariff transactions. This crude was delivered to customers under the terms of over 4,000 third party contracts, each of which required careful analysis. There were over 16,500 individual deliveries of ANS crude under the terms of these contracts. Many of these ANS third-party contracts were exchanges, which necessitated an independent evaluation of the crude recovered on exchange. ANS was exchanged for 105 different kinds of crude during this time period. Once all this information was gathered and carefully tabulated for the royalty litigation, it was also available to expedite resolution of the production and income tax matters which were at issue for much of this same time period. This information has been and is being used for that

Gregg Erickson
March 1, 1994
Page 3

purpose.

The second reason the information gathering undertaking was so expensive was the miserable state of the records of the major ANS producers -- particularly ARCO. This difficulty, I might add, persists with respect to issues remaining in the royalty litigation for which you have now been retained by the producers.

At Attorney General Botelho's request, I have combined all the work on the three tax and royalty matters for which I am currently responsible into a one line table. A more detailed breakdown would reveal confidential details concerning this on-going litigation.

I appreciate your promise to include the information provided by this letter with your proposed newsletter article.

Very truly yours,

CONDON, PARTNOW & SHARROCK

By: 

Wilbur L. Condon

WLC:ljs
Enclosures as stated.

ANS Royalty and Phillips LNG Royalty Engagements -- 4/83 -- 4/92

Year	CONDON, PARTNOW & SHARROCK / HELLEN, PARTNOW & CONDON										OUTSIDE CONTRACTORS		Total Combined Annual Bill
	Attorney Hours	Attorney Fees	Attorney Average Hourly Rate	Legal Assistant/Case Clerk Hours	Legal Assistant/Case Clerk Fees	Legal Assistant/Case Clerk Avg. Hourly Rate	Total Fees	Total Cost	Credits on Bill	Total CPSA/IPC Bill	Co-Counsel Fees/Costs	Expert Consultants Fees/Costs	
1983	2,618.10	\$301,550	\$115.18	40.20	\$1,608	\$40.00	\$303,158	\$47,485	(\$1,911)	\$348,733	\$7,200	\$326,284	\$682,217
1984	4,423.70	\$503,567	\$113.83	2,875.00	\$133,339	\$46.38	\$636,906	\$76,870	\$0	\$713,776	\$425,679	\$519,288	\$1,658,743
1985	4,758.80	\$570,204	\$119.82	8,129.10	\$398,057	\$48.97	\$968,261	\$218,489	\$0	\$1,186,750	\$973,889	\$791,749	\$2,952,388
1986	3,782.87	\$482,583	\$127.57	12,076.85	\$580,104	\$48.03	\$1,062,687	\$461,563	(\$57,118)	\$1,467,132	\$1,204,350	\$1,157,896	\$3,829,378
1987	5,114.85	\$1,050,553	\$115.26	13,199.70	\$628,742	\$47.63	\$1,679,294	\$391,054	(\$82,169)	\$1,988,180	\$1,434,758	\$1,744,374	\$5,167,312
1988	10,445.95	\$1,231,725	\$117.91	47,144.71	\$1,141,010	\$24.20	\$2,372,734	\$452,383	(\$11,675)	\$2,813,442	\$2,145,506	\$2,956,258	\$7,915,206
1989	13,175.11	\$1,705,367	\$129.44	43,518.51	\$1,121,742	\$25.78	\$2,827,108	\$510,246	(\$82,226)	\$3,255,128	\$4,558,282	\$6,593,375	\$14,406,785
1990	9,069.98	\$1,281,099	\$141.25	37,401.63	\$1,136,998	\$30.40	\$2,418,097	\$599,888	(\$106,237)	\$2,911,747	\$5,345,947	\$8,211,671	\$16,469,365
1991	12,867.76	\$1,966,240	\$152.80	43,392.65	\$1,612,928	\$37.17	\$3,579,168	\$1,088,466	(\$38,884)	\$4,628,750	\$4,715,800	\$4,769,442	\$14,113,991
Thru 4/92	4,160.69	\$665,490	\$159.95	14,507.68	\$539,541	\$37.19	\$1,205,031	\$551,854	(\$35,578)	\$1,721,307	\$1,762,373	\$2,127,265	\$5,610,945
Total (4/83-4/92)	74,417.74	\$9,758,377	\$131.13	222,286.04	\$7,294,067	\$32.81	\$17,052,444	\$4,398,300	(\$415,799)	\$21,034,945	\$22,573,783	\$29,197,602	\$72,806,330

ANS Royalty and Tax Engagements --- 5/92 - 11/93

Year	CONDON, PARTNOW & SHARROCK							OUTSIDE CONTRACTORS		Total Combined Annual Bill			
	Attorney Hours	Attorney Fees	Attorney Average Hourly Rate	Legal Assistant/ Case Clerk Hours	Legal Assistant/ Case Clerk Fees	Legal Assistant/ Case Clerk Avg. Hourly Rate	Total Fees	Total Cost	Credits on Bill		Total CPS/MPC Bill	Co-Counsel Fees/Costs	Expert Consultants Fees/Costs
Total	28,521.14	\$4,088,315	\$143.68	98,799.95	\$3,672,933	\$37.18	\$7,771,254	\$1,929,183	(\$273,995)	\$9,426,443	\$5,564,388	\$4,569,940	\$18,438,264

(528-1152)

WALTER J. HICKEL, GOVERNOR

PLEASE REPLY TO:

1031 WEST 4TH AVENUE, SUITE 200
ANCHORAGE, ALASKA 99501-1994
PHONE: (907) 269-5100
FAX: (907) 276-3697

KEY BANK BUILDING
100 CUSHMAN ST., SUITE 400
FAIRBANKS, ALASKA 99701-4679
PHONE: (907) 451-2811
FAX: (907) 451-2846

P.O. BOX 110300 - STATE CAPITOL
JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295 - 465-6735

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

February 22, 1994

The Honorable Steve Frank
Co-Chair
Senate Finance Committee
Room 518
State Capitol
Juneau, AK 99801-1182

Re: SB 287/HB 454

Dear Senator Frank:

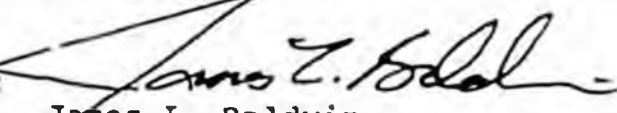
This letter is to request additional funding be added to the Department of Law Oil & Gas litigation FY 1994 supplemental appropriation request. This is based upon unanticipated changes in the course of the ANS Royalty litigation and FERC 1994 tariff litigation. The Department of Law requests an additional \$2.5 million be added to our FY 94 supplemental appropriation bill.

If you have any questions, please do not hesitate to contact me.

Sincerely,

BRUCE M. BOTELHO
ATTORNEY GENERAL

By:


James L. Baldwin
Assistant Attorney General

JLB:tg

cc: Nancy Slagle
Office of Management & Budget