

DEPT.

NATURAL

RES.

OVERVIEW

1/19/01

Alaska State Legislature

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House Resources Committee

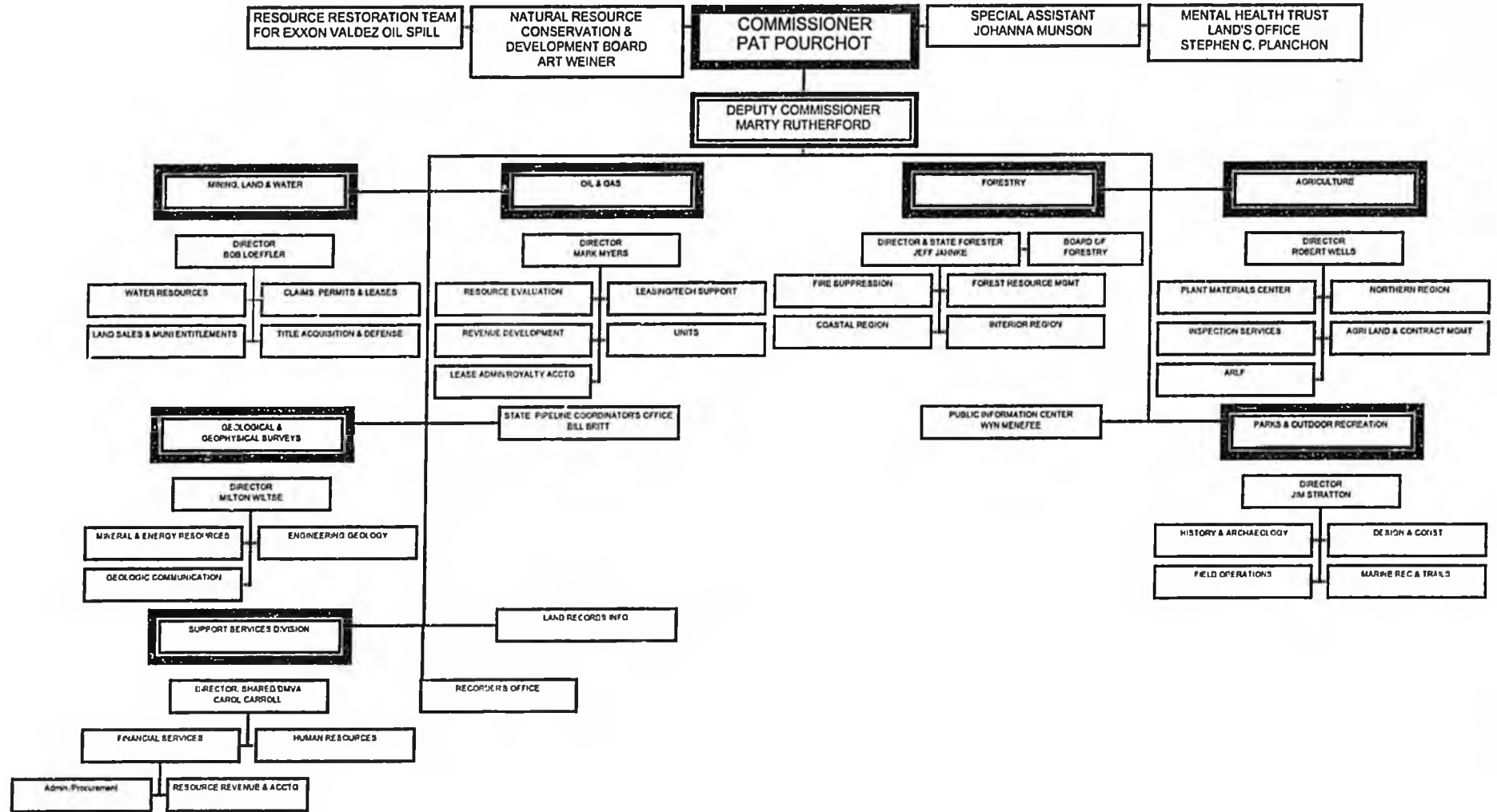
AGENDA January 19, 2001

Department of Natural Resources Overview

- Call to Order
- Roll Call
- Overview of DNR Introduction, Commissioner Pat Pourchot
 1. Remarks on functional organization of the Department of
 2. Natural Resources
 2. Joint Pipeline Office - Commissioner Pourchot
 3. Oil and Gas Division - Commissioner Pourchot
Personnel and 3-D Seismic - Mark Myers, Director Oil and Gas
 4. Mining Land and Water - Commissioner Pourchot
Land Sales and BLM regulations - Bob Loeffler, Director MLW
 5. Geological and Geophysical Survey - Commissioner Pourchot
 6. Forestry - Commissioner Pourchot
First Strike, Firefighters - Jeff Jahnke, Director Forestry
 7. Parks and Outdoor Recreation - Commissioner Pourchot
 8. Agriculture - Commissioner Pourchot
HB 116 Agriculture Board - Rob Wells, Director of Agriculture
 9. Land Records Information and Records Office - Commissioner
Pourchot
- Upcoming Meetings:
 - January 24 - HB48 "No SS# - Hunter/Driver License" and HJR6 "Roadless Policy"
 - January 26 - Joint meeting w/Fisheries Committee for Fish and Game
- Adjournment

*file in
com file*

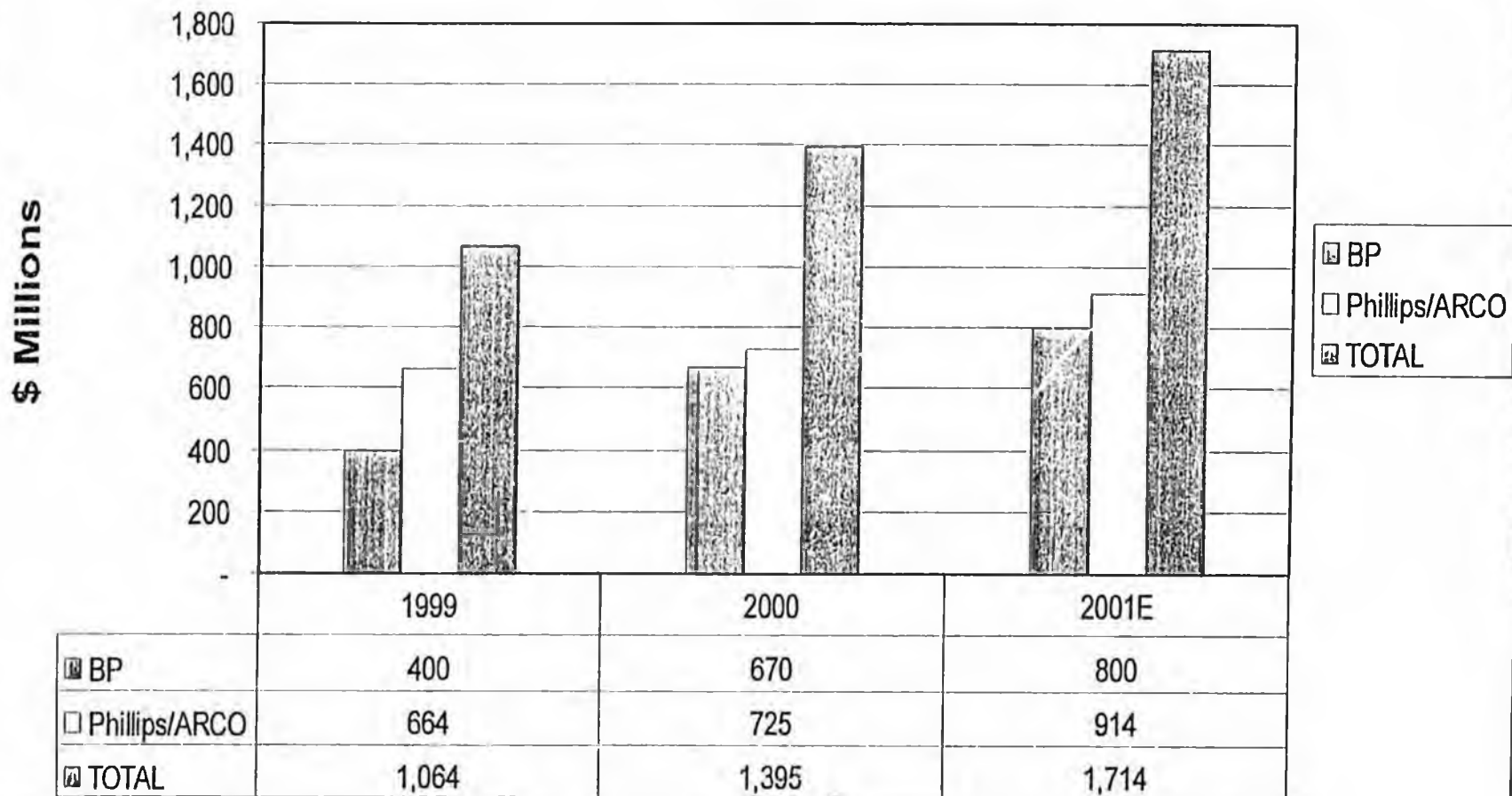
ALASKA DEPARTMENT OF NATURAL RESOURCES as of January 18, 2001



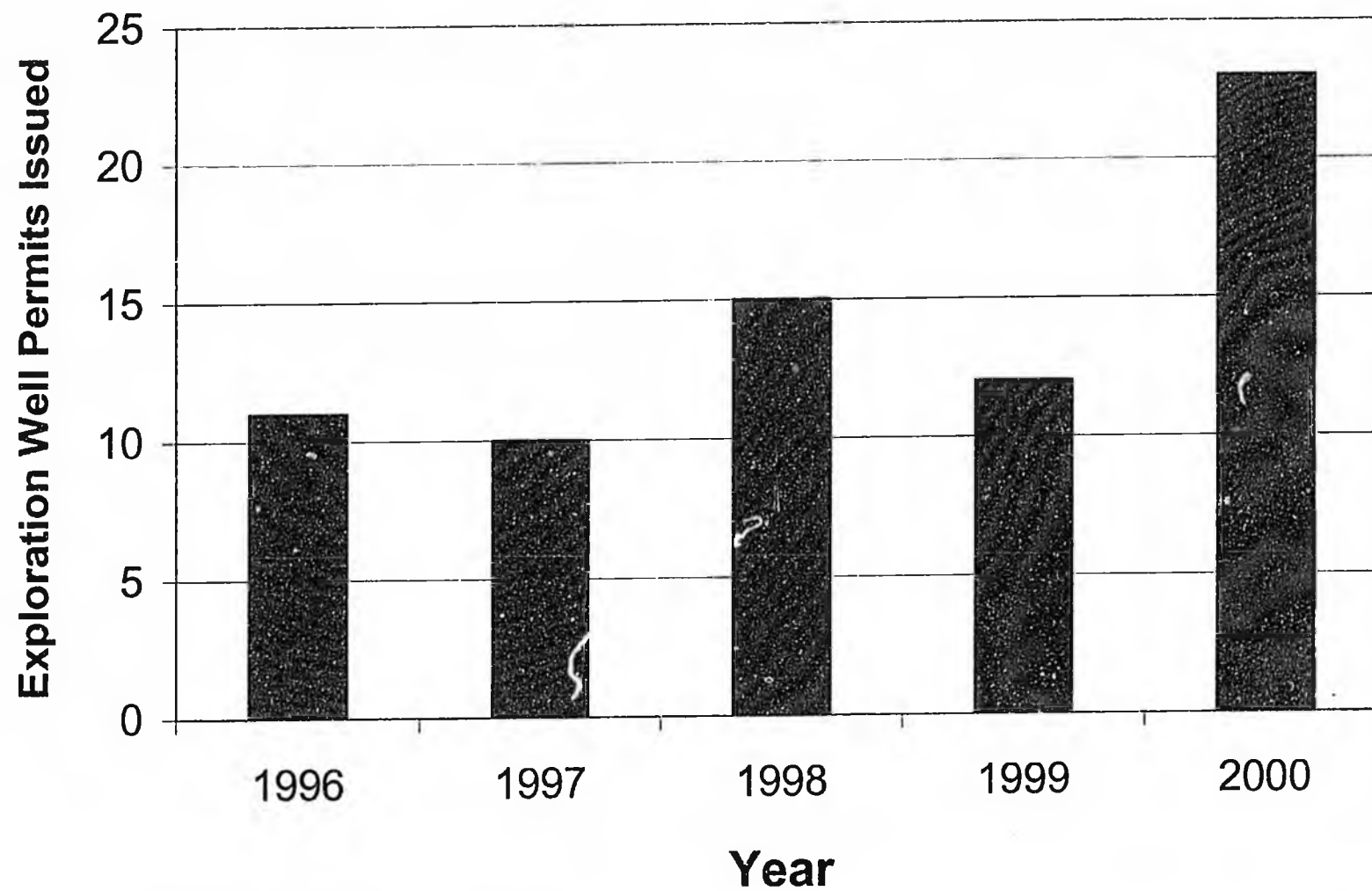
THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Oil Industry Capital Spending In Alaska

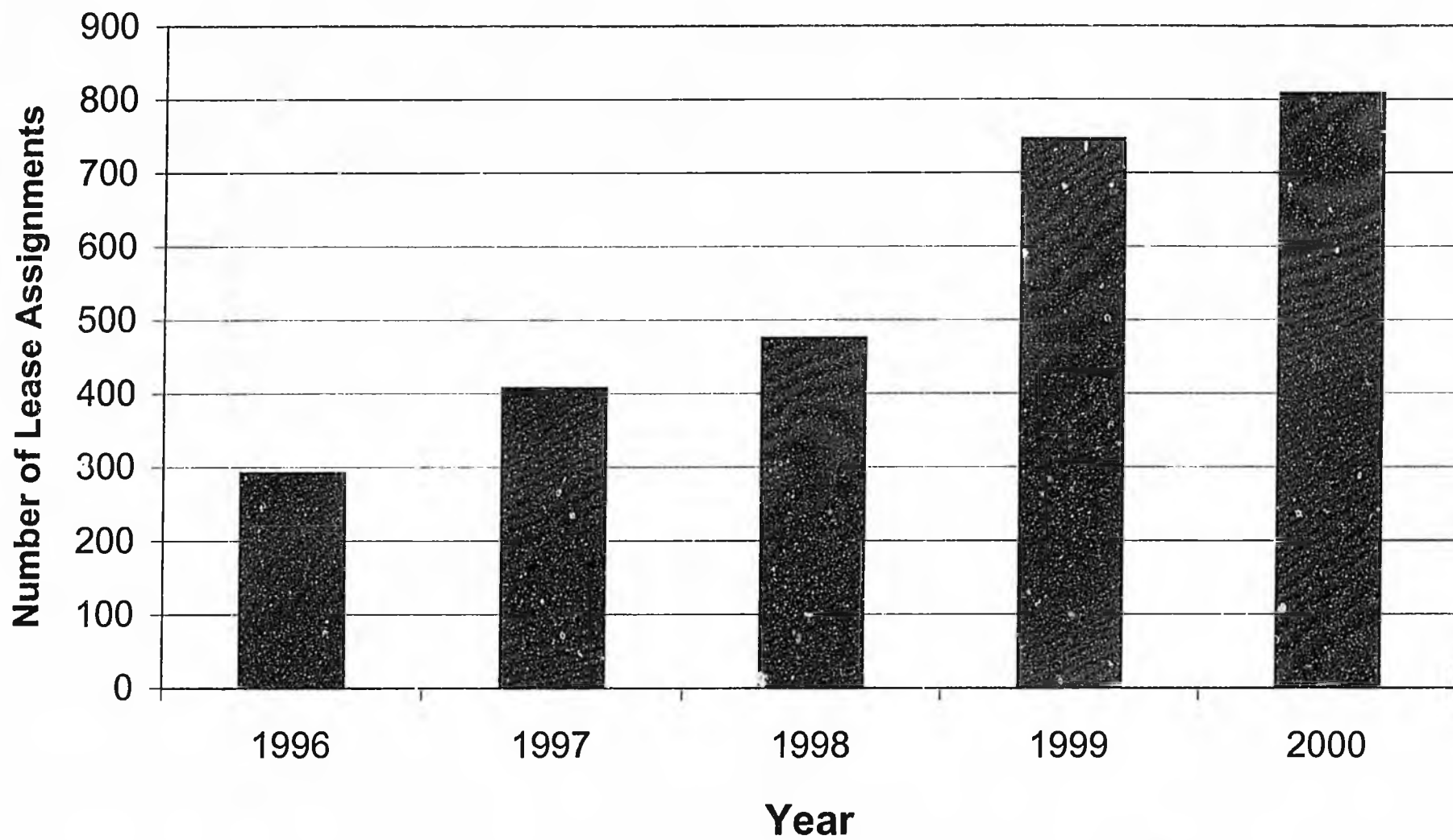
BP and Phillips/ARCO Net Capital Spending in Alaska, 1999-2001



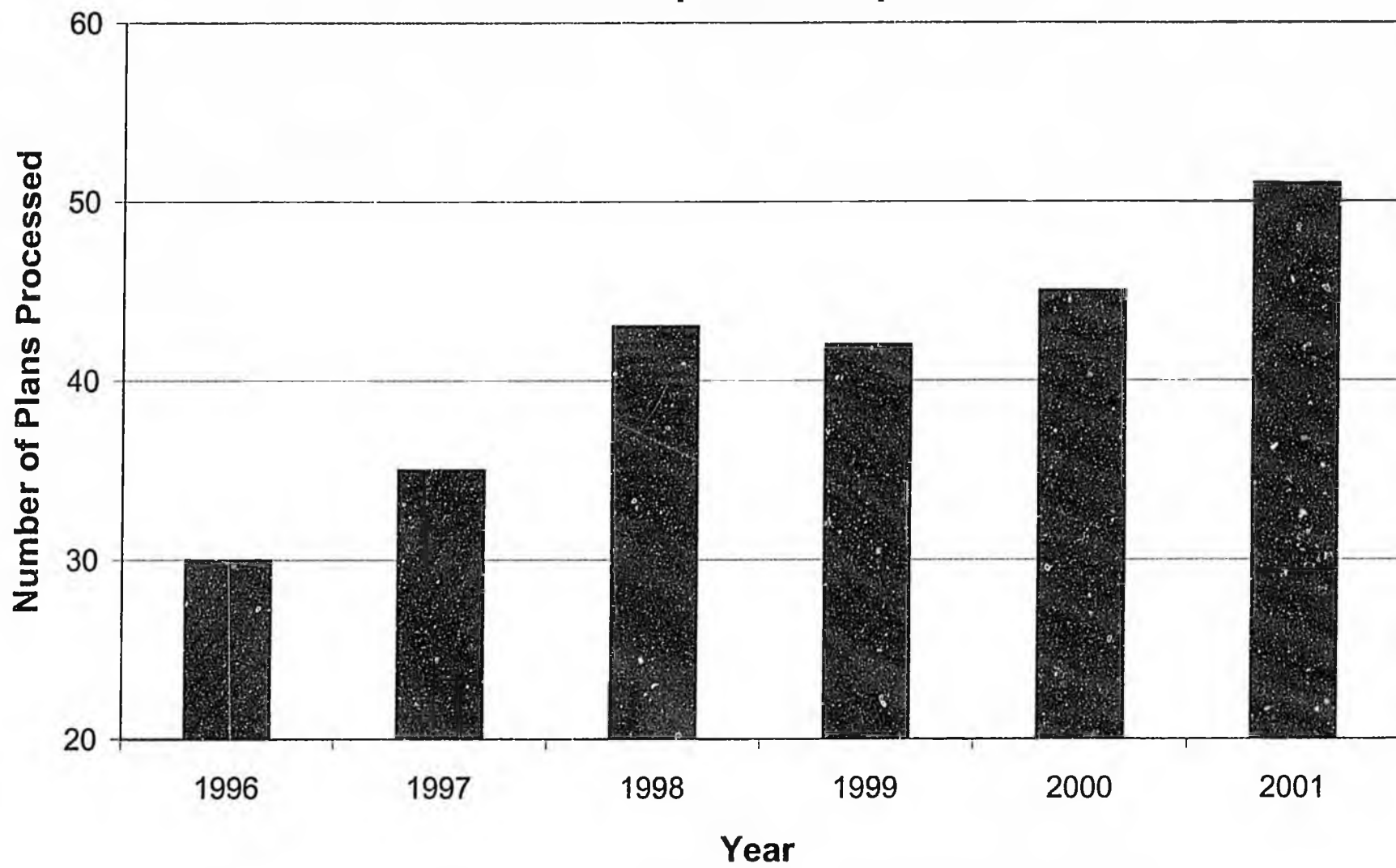
North Slope Exploration Wells Permitted



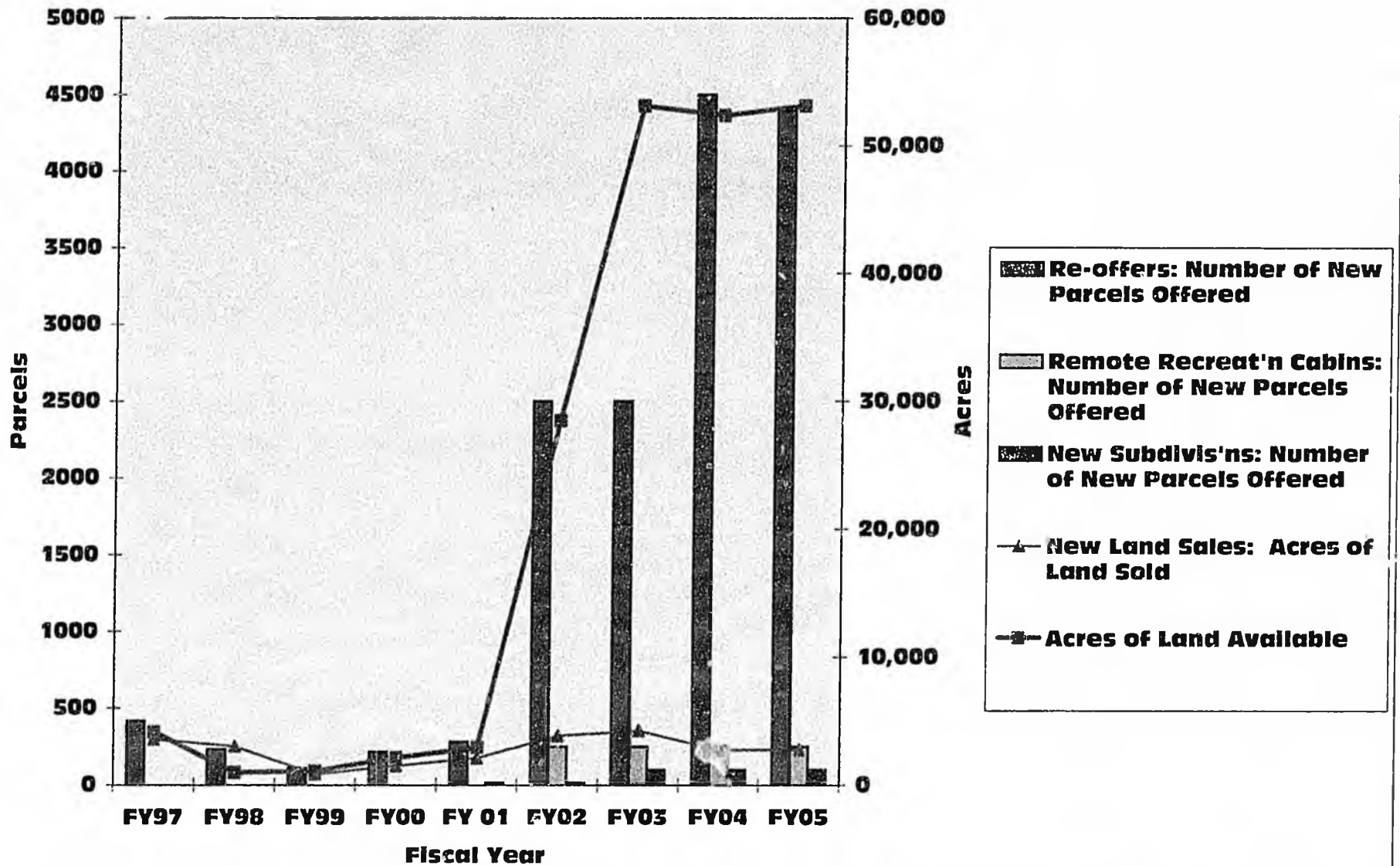
Lease Assignments



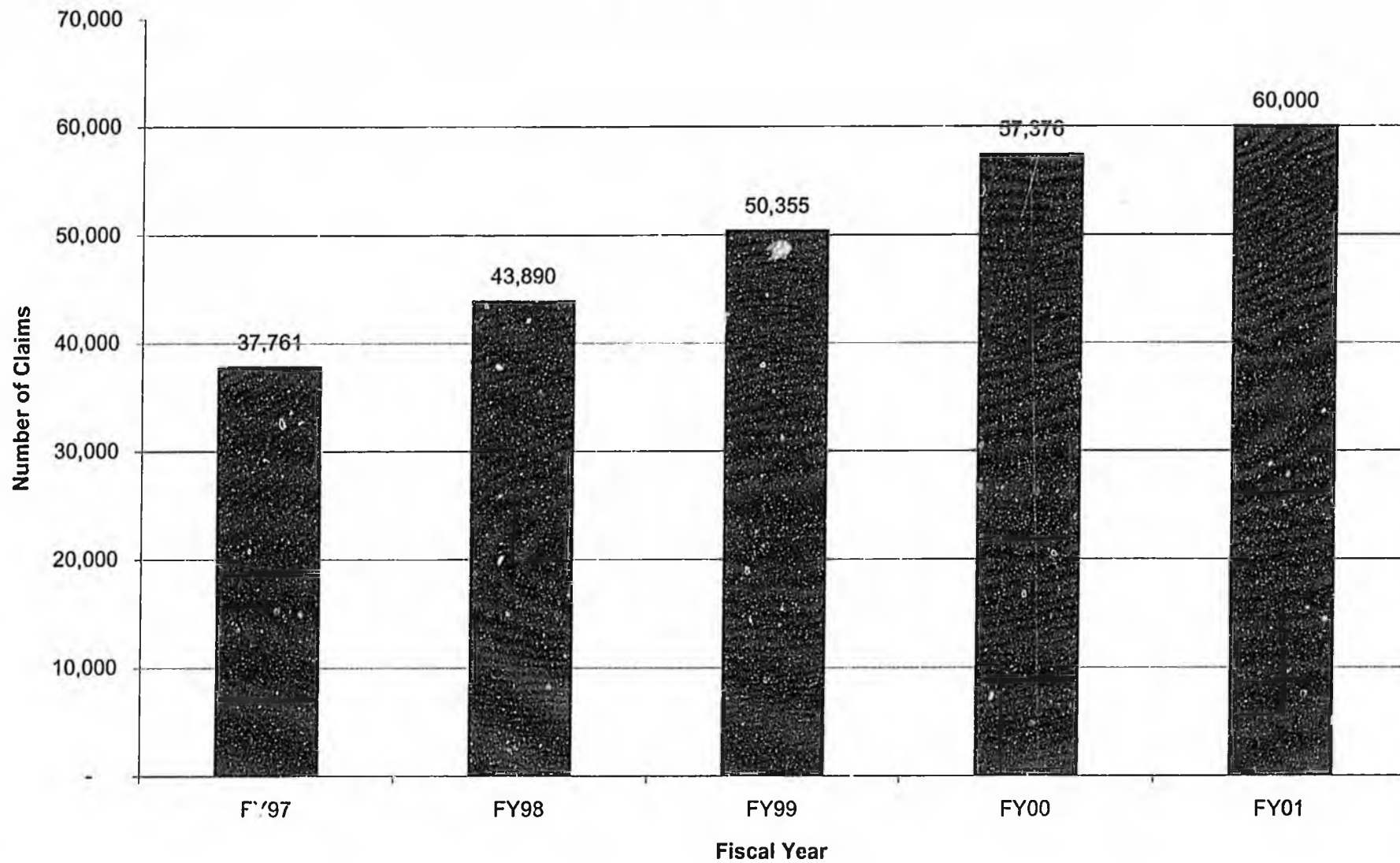
Unit Activity Plans of Development / Exploration



Land Sales

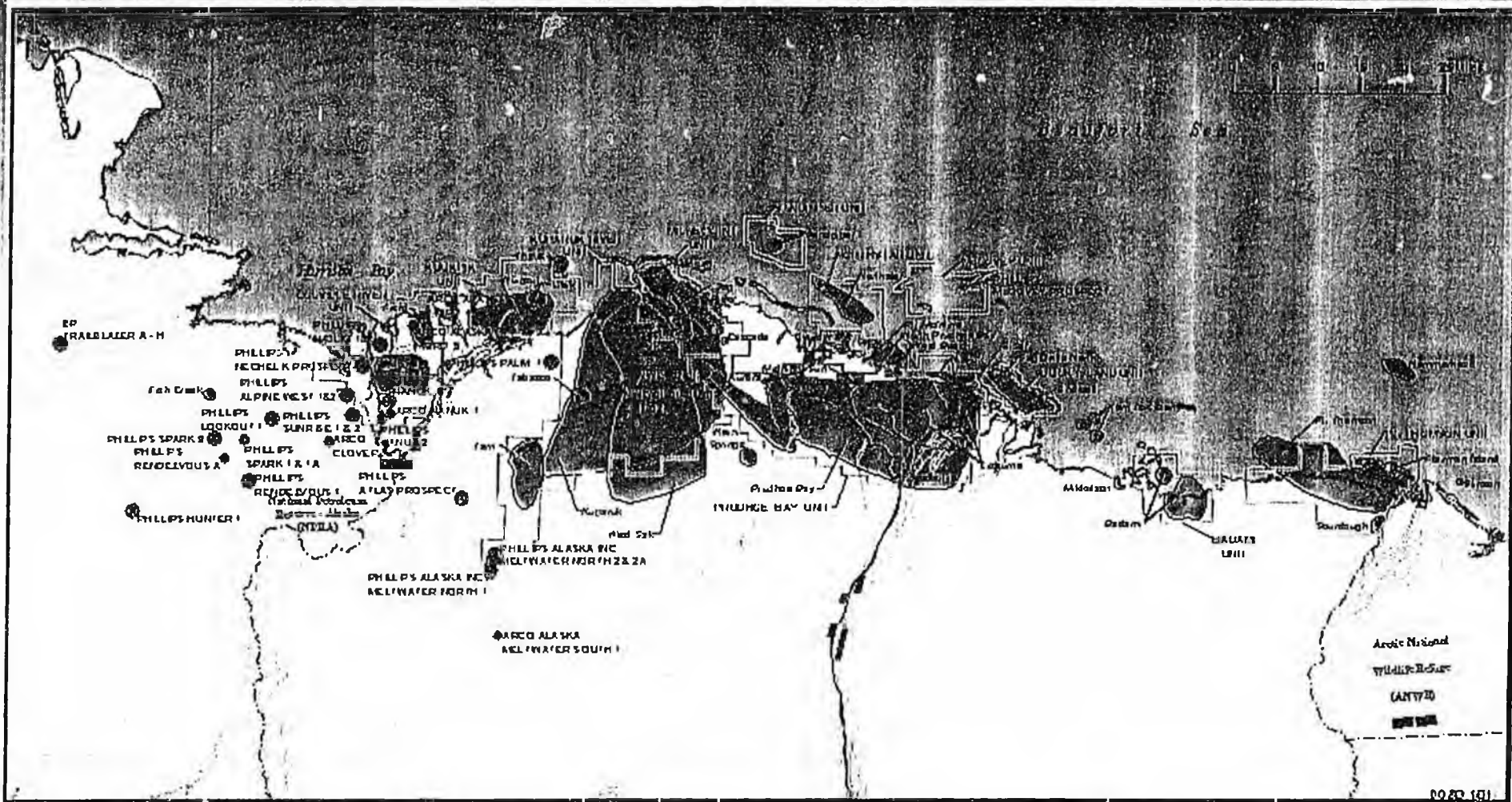


Mining Claims



FY97 through FY00 is Actual Data, FY01 is Estimated Data

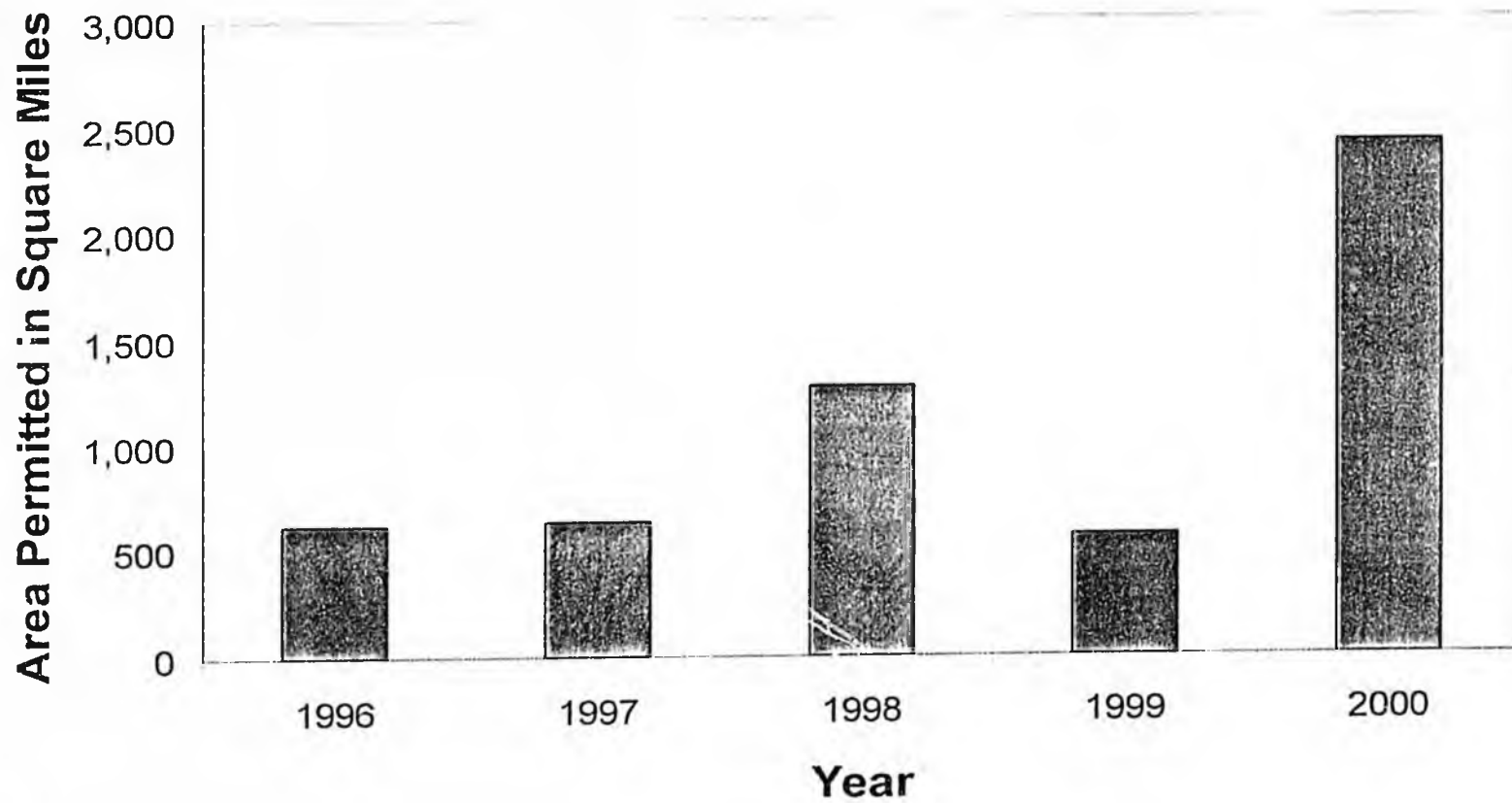
Proposed North Slope Activity - 2001



Map Legend

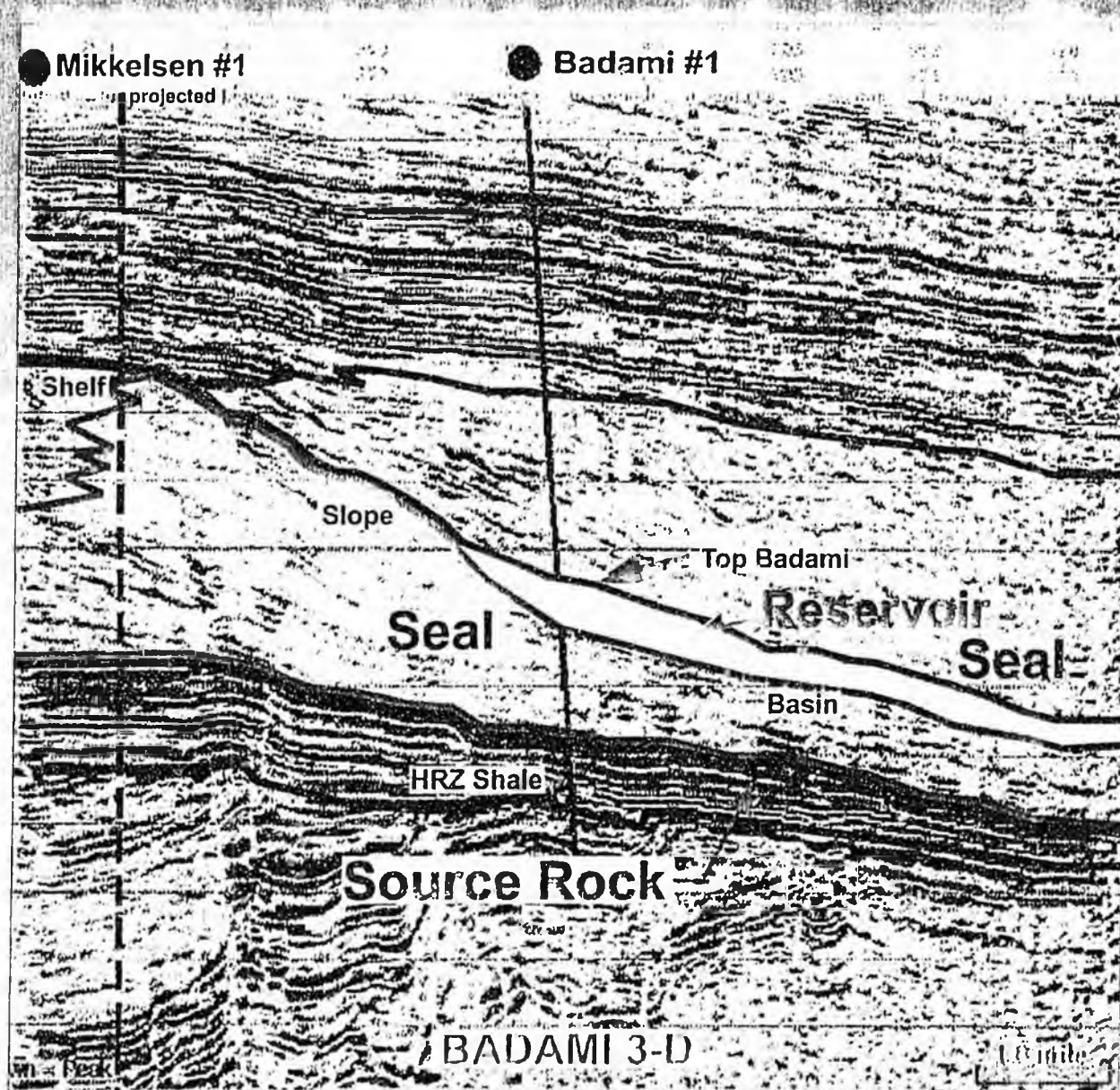
- Unit
- Oil Field / Accumulation
- 2001 Prospect
- Active Well
- Road
- Trans-Alaska Pipeline

3-D Seismic Survey Miles in Alaska

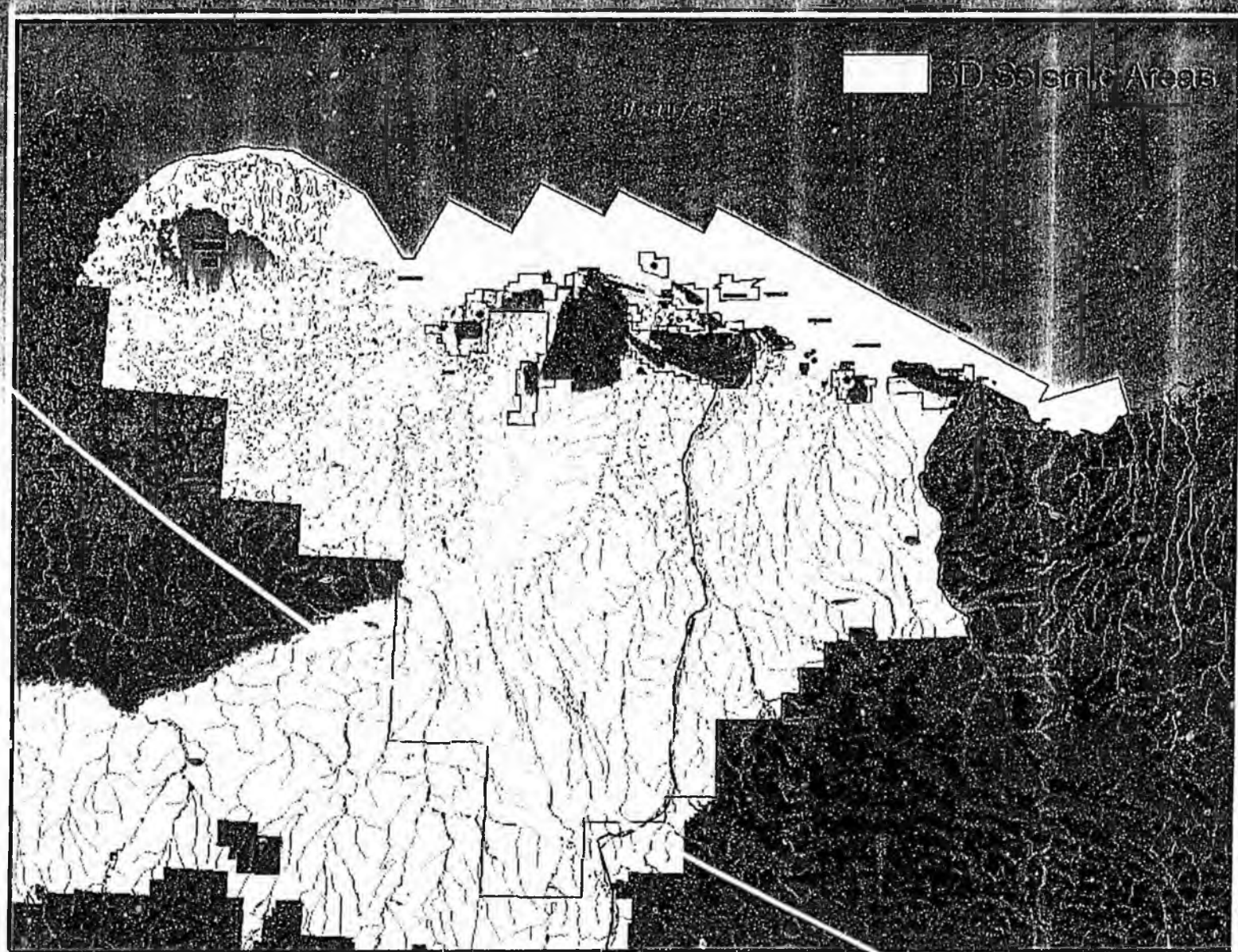


Badami Seismic Cross-Section

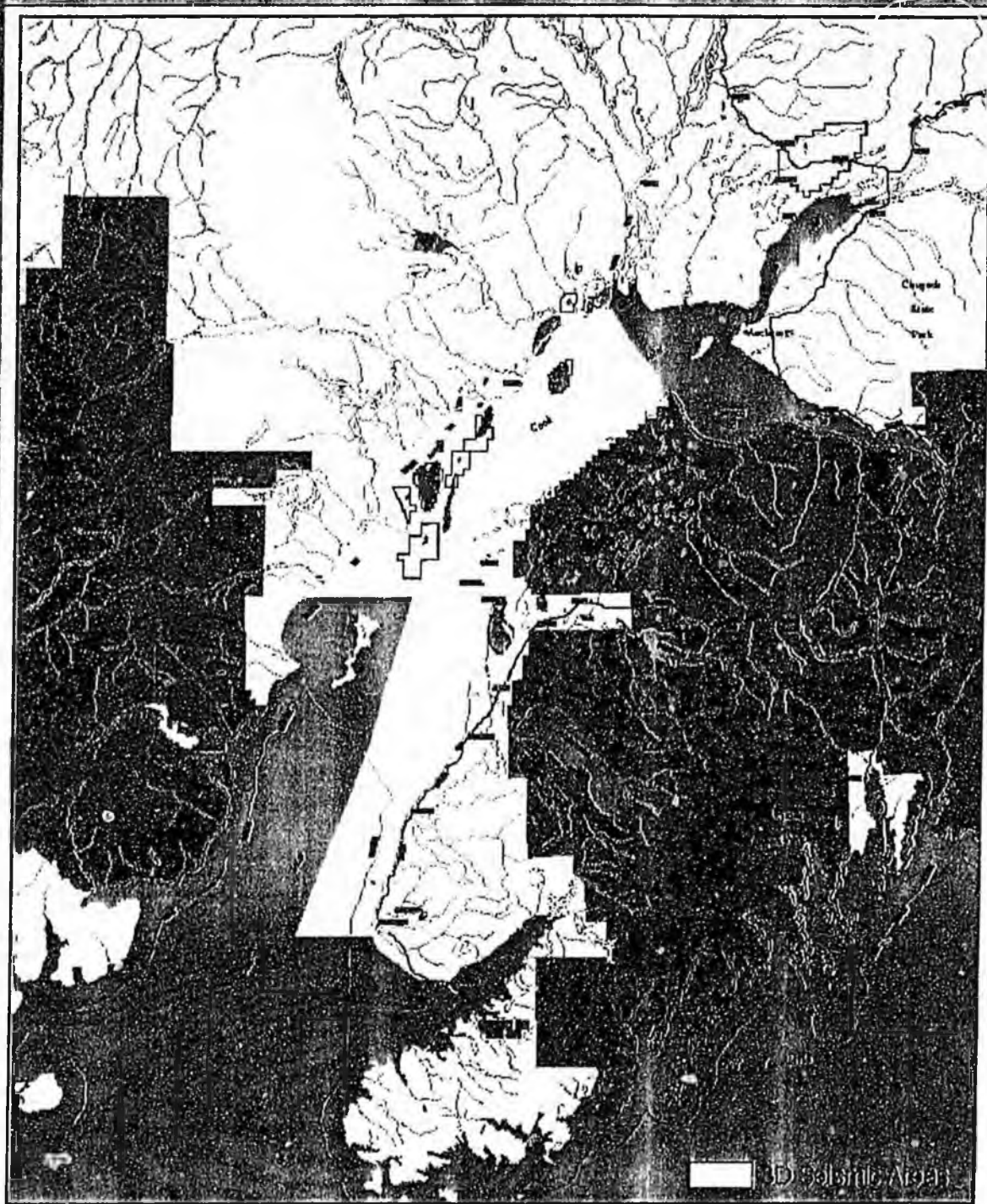
(Example of a Stratigraphic Trap)



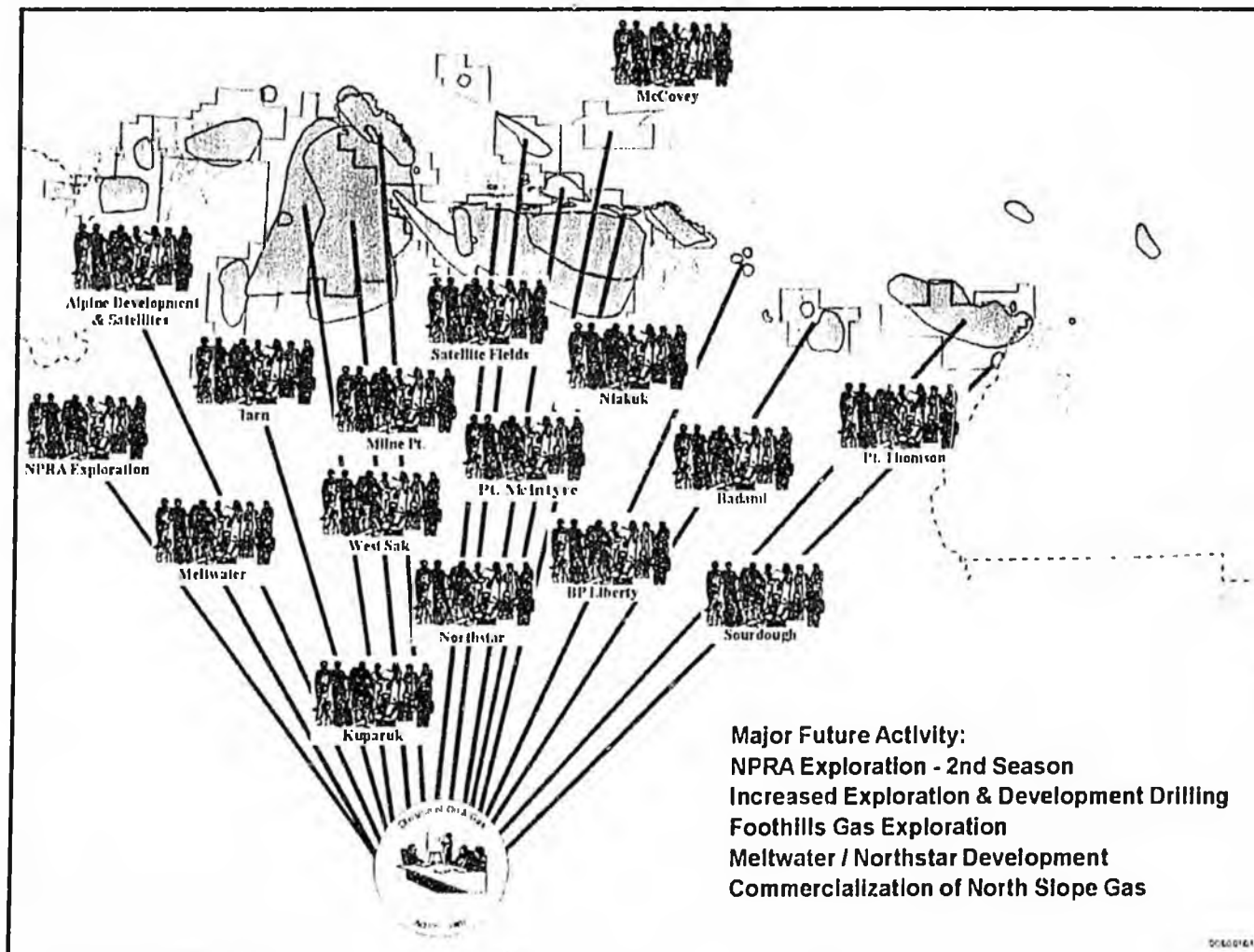
North Slope 3-D Seismic Survey Areas



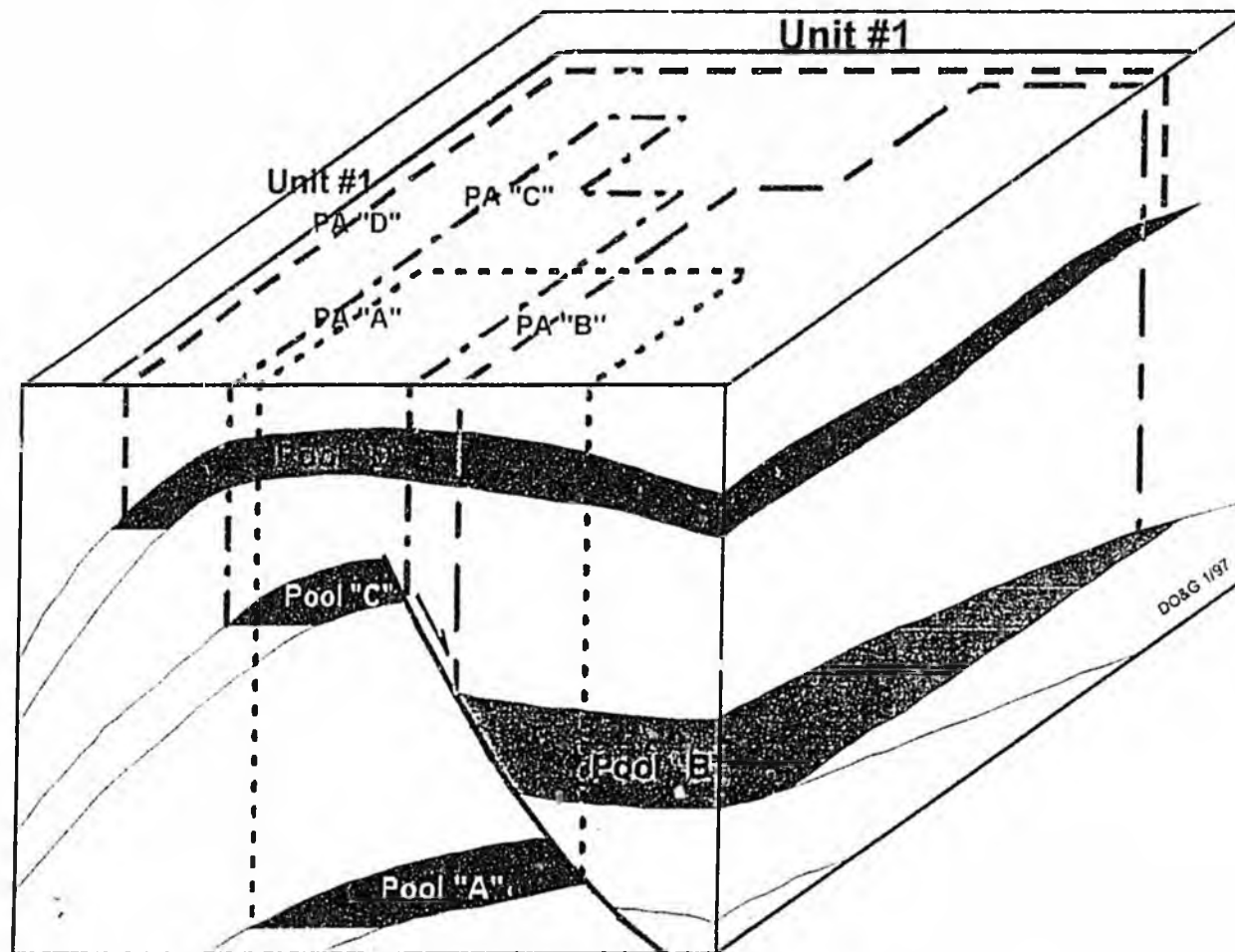
Cook Inlet 3-D Seismic Survey Areas



Invigorated Oil & Gas Industry Company Asset Teams Inundate Division



Hypothetical Unit with 4 Pools & Four Participating Areas (PAs)



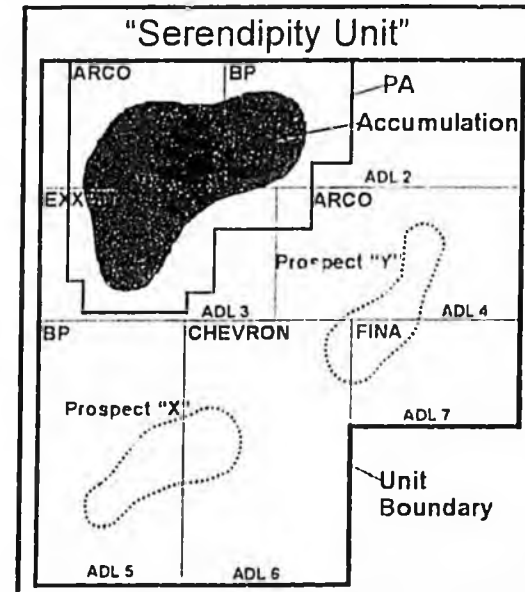
What Are The Common Lease/Unit Administrative Actions?

Unit - Units are groups of leases; units are established to efficiently explore and develop the leases covering one or more potential hydrocarbon accumulations

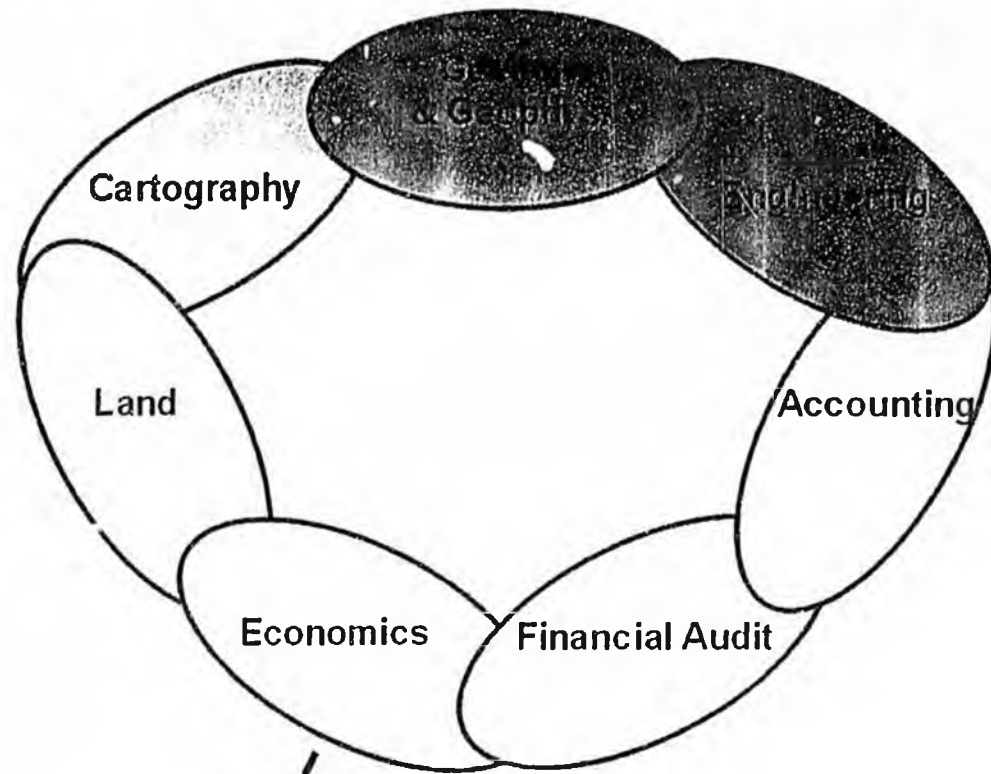
Participating Area (PA) - That portion of leases in a unit which cover a known or estimated accumulation and to which production is allocated via a unit agreement

Units Actions: Initial Formation
 Technical Evaluations - Reservoir Extent, Paying Quantities
 Negotiations - Unit Agreement
 Work Commitments
 Expansions
 Contractions
 Annual Plan of Exploration or Development

Participating Areas: Initial Formation
 Technical Evaluations - Commerciality
 Tract Allocation Factors
 Field Costs/Processing Costs
 Gas and Gas Liquids
 Fluid Commingling
 Facility Sharing
 Well Test Allocation
 Expansions
 Contractions
 Annual Plan of Development



Division of Oil and Gas Organization Links Affect the Bottom Line

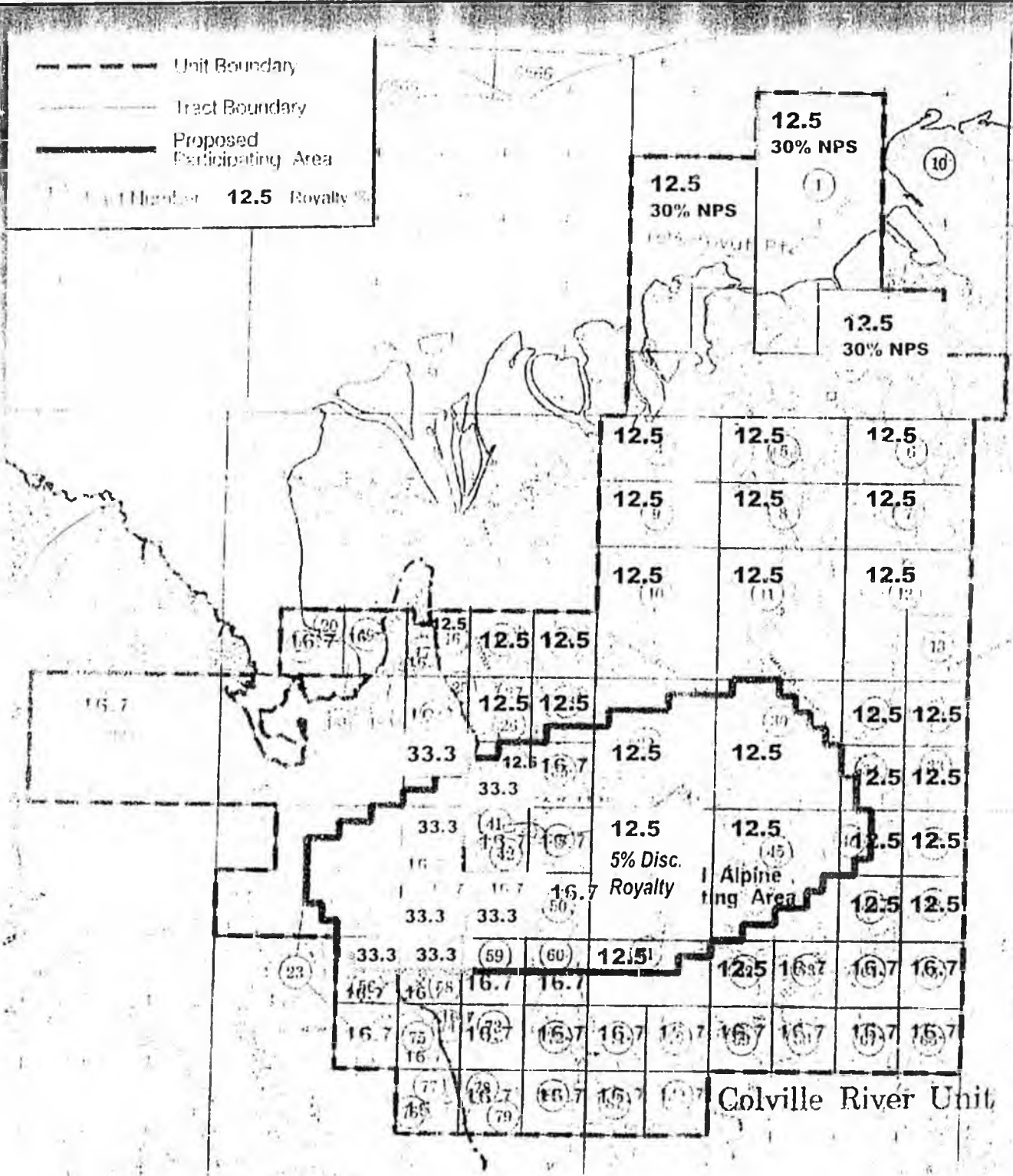


Oil and Gas Unit and Participating Area Decisions

→ **Royalty \$\$**

Colville River Unit Royalty Rates and Lease Terms

- - - - - Unit Boundary
 - - - - - Tract Boundary
 - - - - - Proposed Participating Area
 12.5 Royalty



State-Federal Comparison Activity, Staffing and Budgets for Oil and Gas Agencies⁽¹⁾

	<u>State DO&G</u>	<u>Federal⁽²⁾</u>
Active Leases	1,202	171
Active Units	30	11
Producing Leases	320	38⁽³⁾
Annual Oil Production . . .	462.6 mmbbls	1.0 mmbbls⁽⁴⁾
Number of Employees	53	87⁽⁵⁾
Annual Budget	\$4.3	\$8.4 million

(1) all figures based on 1999 data

(2) combines MMS and BLM; does not include federal royalty accounting group in Denver

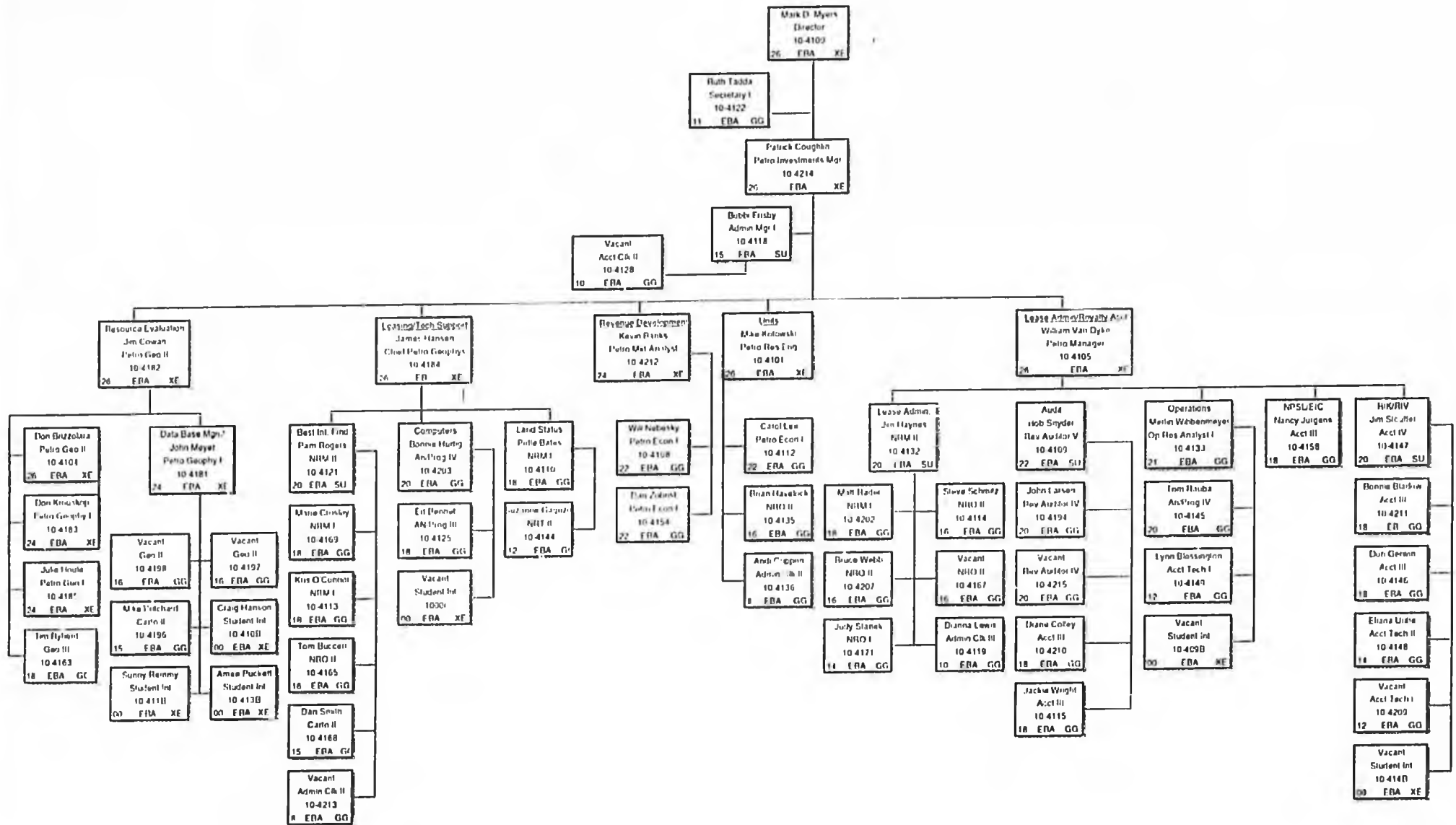
(3) all producing leases are in Cook Inlet, mostly gas production

(4) million barrels

(5) includes 80 MMS employees and 7 BLM employees

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS



MEMORANDUM
DEPARTMENT OF NATURAL RESOURCES

State of Alaska
DIVISION OF OIL AND GAS

TO: Ken Boyd
Director

DATE: January 8, 2001

FROM: Patrick J. Coughlin
Deputy Director

TELEPHONE: 269-8800

SUBJECT: Salaries

The division's senior level managers and technical staff are grossly undercompensated relative to their peers in industry and government. This low salary level has been noted by the legislature's own consultants. For example, a KPMG salary survey conducted for LB&A examined the salaries of 92 state jobs. It concluded that only two job classifications, one of which was the geologist classification, were compensated below market range. The legislature's privatization study noted that the division's senior level employees appeared to be undercompensated. Industry and government data demonstrate the low level of compensation. In order to attract and keep qualified personnel, we need to pay competitive salaries and we are not.

The following table compares the salaries of various senior employees within the division with their counterparts in industry and the local MMS office. The table illustrates the problem.

Location	Position	Base Salary	Bonus/Cola	Total	%(under)
Alaska	Director	93,384	0	93,384	na
MMS	Regional Director	100,000	33,000	133,000	-42
Industry Av	Manager (+20 yrs)	112,921	34,616	139,535	-49
Alaska	Engineer (+20 yrs)	90,012	0	90,012	na
MMS	Engineer (+20 yrs)	85,774	28,305	114,079	-27
Industry Av	Engineer(+20 yrs)	97,035	34,616	131,651	-45
Alaska	Geologist (+20 yrs)	75,036	0	75,036	na
MMS	Geologist (+20 yrs)	72,586	23,953	96,539	-29
Industry Av	Geologist (+20 yrs)	106,600	34,616	141,216	-88
Alaska	Economist (+18 yrs)	75,036	0	75,036	na
MMS	Economist (+18 yrs)	85,774	28,305	114,079	-52
Industry Av	Not Available				

The MMS figures are exact. The industry engineer and management salary and bonus are based on 1998 SPE data. The industry geology salary is based on 1999 AAPG data. The bonus is estimated using SPE data. The industry average figures are conservative because they do not include Alaska Cola paid by the most oil companies.