

HB

1388

HFIN

FILE

2/27/07

FY2007 OIL AND GAS SUPPLEMENTAL

	A	B	C	D	E	F	G	H	I	J
1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds	LFD Notes
	1	Law	Capital - Oil, Gas & Mining	Work related to the state gas pipeline and bringing North Slope natural gas to market, and other oil and gas projects. The Department of Law's Oil, Gas & Mining section continues to play a major role in the State's top priority project related to the construction of a gas pipeline and bringing natural gas to market. A number of contracts with outside counsel and experts are underway and will continue to be needed as negotiations continue. In addition the Department of Law anticipates the Exxon Royalty Reopener will go to trial in either FY 07 or FY 08 and continues to prepare for a four to five week hearing before the Federal Energy Regulation Committee (FERC) considering (in part) the state's and Anadarko's challenges to the TransAlaska Pipeline Service (TAPS) 2005 FERC tariff.	21,500.0				21,500.0	Anticipated expenditures: FY07: \$8,700,000 FY08: \$12,800,000
2	2(a)	Natural Resources	Capital	Gas Pipeline Analysis Outside experts and consultants will be retained for work related to the gas pipeline, including outside legal counsel and experts on federal pipeline law and FERC procedures. A consultant to advise the state on crafting an RIP consistent with the Alaska Gasline Inducement Act (AGIA) for gasline proposals and with analyzing those proposals under AGIA will also be retained.	6,550.0				6,550.0	RFP Consultant: \$4.5 million FERC Experts and Outside Counsel: \$1.25 million Additional Work Needs: \$800.0
3	2(b)	Natural Resources	Capital	Oil and Gas Lease Litigation This project will help offset the costs of litigation arising out of the DNK's exercise of the state's rights under its leases and the unit agreement (Point Thomson appeal). This request will help fund the costs of outside experts and legal counsel.	1,500.0				1,500.0	The Point Thomson appeals were filed in December 2006, so funding is not included in the current FY07 or FY08 budget
4	3(a)	Revenue	Capital	Commercialization of North Slope Gas \$119.5 - two internal economists to work on gasline issues \$1,360.0 for two contractual economists and/or commercial analysts' firms to assist in modeling and analyzing tax incentives and impacts, marketing options and criteria to evaluate applicants and proposed projects \$1,169.6 for specialized legal counsel \$50.9 for other costs, including financial and legal research	3,000.0				3,000.0	The funding for the two economists (currently on staff) is based on 17 months work, the funding for contractual economic and legal analysis is an estimate of what might be needed under AGIA.
5	3(b)	Revenue	Tax Division	Petroleum Production Tax (PPT) implementation costs \$521.7 for three positions and contracts for developing regulations, expenses for public hearings and legal advice on regulations	521.7				521.7	Fiscal note identifies almost \$1.4 million for a full years implementation. That is the amount requested for FY08. This is identified as the bare minimum necessary for FY07.
6	3(c)	Revenue	Tax Division	Language to allow the department to make refunds for capital expenditures and lease bids as provided in the PPT, AS 13.55.023(d)					0.0	This language appropriates the funding for the transferable tax credit refunds in FY07. Expected to be significantly less the projected \$25 million in the Gov's FY08 budget
7	4(a)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt. Road right-of-way permitting multi-year allocation in sec. 7(d)(1), ch. 6, S.A. 2005, pg. 11, as amended by sec. 31(c), ch. 82, S.A. 2006, pg. 151. The amount expected to be available is \$100.0. The lapse extension also applies to sec. 7(d)(2) Division of Oil and Gas Increased Workload, which expects \$1500 to be available. The lapse extension also applies to sec. 7(d)(3) Commissioner's office increased workload. This allocation is expected to be fully expended by June 30, 2007.					0.0	As of 2/20/07: Bullen Pt. Road appropriation, original amount = \$2,400.0 and the current balance = \$534.0. Oil & Gas Increased Workload appropriation, original amount = \$2,025.0 and the current balance = \$776.3. Commissioner's Office Workload appropriation, original amount = \$150.0 and the current balance = \$86.6
8										

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1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds	LFD Notes
	4(b)	Administration	Alaska Oil and Gas Conservation Commission	Extend the lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(a), ch. 3, FSSLA 2005, pg. 106, line 21. The amount expected to be available is \$250.0.					0.0	\$1.2 million was appropriated for FY06-07. \$950.0 already obligated through the end of this year leaving \$250.0 balance. This extension will allow the department to wrap up current work on studies needed to set gas off take rates for Pt. Thomson.
9	4(b)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline risk analysis and royalty issues multi-year allocation in sec. 20(c)(1), ch. 3, FSSLA 2005, pg. 107, line 2. The amount expected to be available is \$1,500.0. The lapse extension also applies to sec. 20(c)(2) gas pipeline corridor geologic hazards and resource evaluation. This allocation is expected to be fully expended by June 30, 2007.					0.0	As of 2/20/07: Gas Pipeline Risk Analysis appropriation, original amount = \$2,500.0 and the current balance = \$1,661.6; Gas Pipeline Corridor Geologic Hazards & Resource Evaluation appropriation, original amount = \$2,000.0 and the current balance = \$71.5;
10	4(b)	Revenue	Commissioner's Office	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(e), ch. 3, FSSLA 2005, pg. 107, line 13. The amount expected to be available is \$100.0.					0.0	Funding is being used in FY07 to fund the 2 exempt gasoline economists currently working for the department. FY08 funding for these positions is being requested in the \$3 million request in 3(a) above
11	4(b)	Revenue	Alaska Natural Gas Development Authority	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(f), ch. 3, FSSLA 2005, pg. 107, line 16. The amount expected to be available is \$500.0.					0.0	
12	4(c)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt. Road right-of-way permitting multi-year allocation in sec. 20(d)(1), ch. 3, FSSLA 2005, pg. 107, line 10, as amended by sec. 34(d), ch. 82, SFA 2006, pg. 151. The amount expected to be available is \$800.0. The lapse extension also applies to sec. 20(d)(2) Division of Oil and Gas Increased Workload. This allocation is expected to be fully expended by June 30, 2007. The lapse extension also applies to sec. 20(d)(3) Commissioner's office increased workload, which expects \$10.0 to be available.					0.0	As of 2/20/07: Bullen Pt. Road Right-of Way Permitting appropriation, original amount = \$800.0 and the current balance = \$800.0; Oil & Gas Increased Workload appropriation, original amount = \$675.0 and the current balance = \$106.1; Commissioner's Office Workload appropriation, original amount = \$50.0 and the current balance = \$20.0.
13										
14	5			Lapse of Other Appropriations					0.0	
15	6			Retroactivity					0.0	
16	7			Immediate Effective Date					0.0	
17				Oil and Gas Supplemental Bill Total	33,071.7	0.0	0.0	0.0	33,071.7	

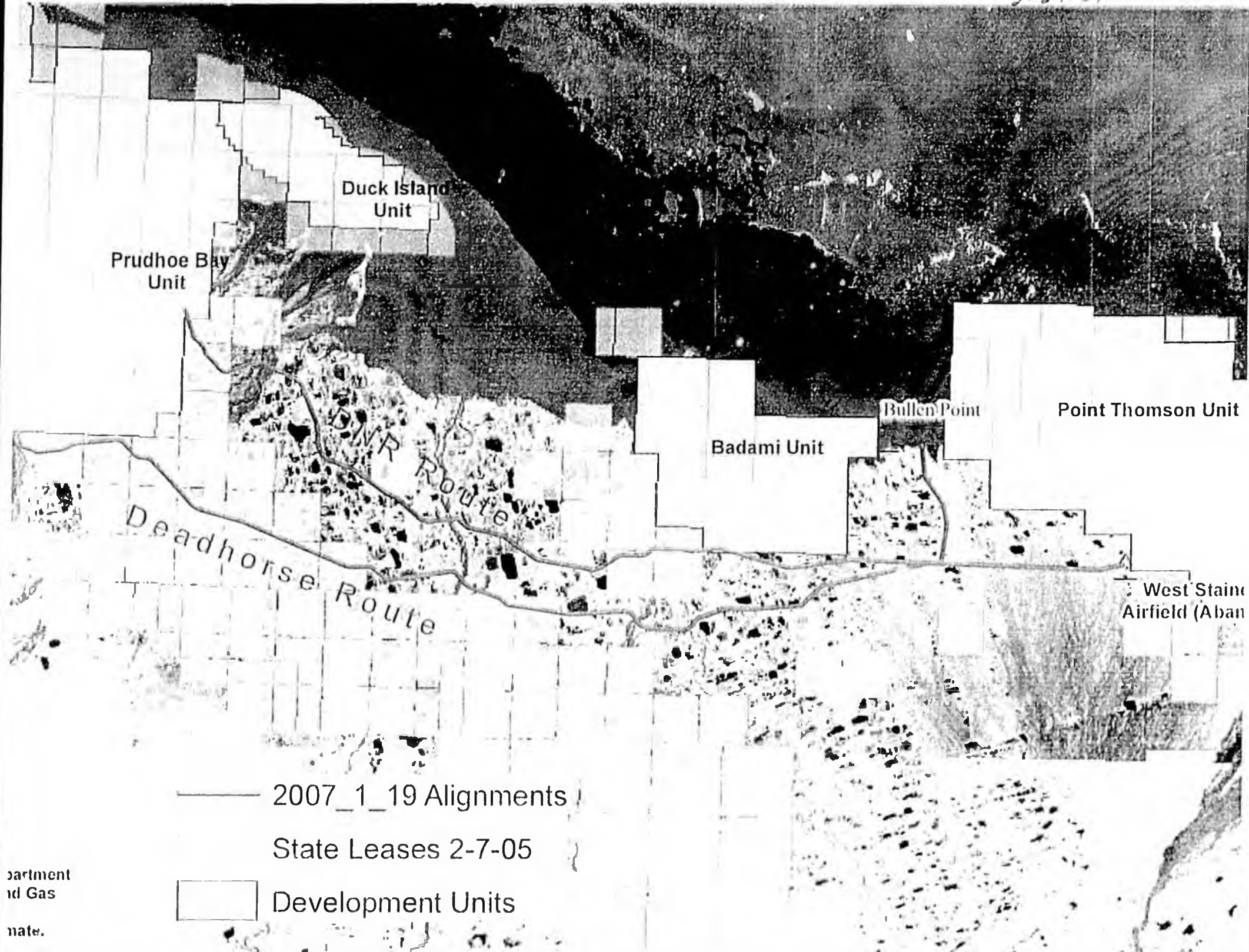
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1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
2	1	Law	Capital - Oil, Gas & Mining	Work related to the state gas pipeline and bringing North Slope natural gas to market, and other oil and gas projects. The Department of Law's Oil, Gas & Mining section continues to play a major role in the State's top priority project related to the construction of a gas pipeline and bringing natural gas to market. A number of contracts with outside counsel and experts are underway and will continue to be needed as negotiations continue. In addition the Department of Law anticipates the Exxon Royalty Reopener will go to trial in either FY 07 or FY 08 and continues to prepare for a four to five week hearing before the Federal Energy Regulation Committee (FERC) considering (in part) the state's and Anadarko's challenges to the TransAlaska Pipeline Service (TAPS) 2005 FERC tariff.	21,500.0				21,500.0
3	2(a)	Natural Resources	Capital	Gas Pipeline Analysis Outside experts and consultants will be retained for work related to the gas pipeline, including outside legal counsel and experts on federal pipeline law and FERC procedures. A consultant to advise the state on crafting an RFP consistent with the Alaska Gasline Inducement Act (AGIA) for gasline proposals and with analyzing those proposals under AGIA will also be retained.	6,550.0				6,550.0
4	2(b)	Natural Resources	Capital	Oil and Gas Lease Litigation This project will help offset the costs of litigation arising out of the DNR's exercise of the state's rights under its leases and the unit agreement (Point Thomson appeal). This request will help fund the costs of outside experts and legal counsel.	1,500.0				1,500.0
5	3(a)	Revenue	Capital	Commercialization of North Slope Gas \$419.5 - two internal economists to work on gasline issues \$1,360.0 for two contractual economists and/or commercial analysts' firms to assist in modeling and analyzing tax incentives and impacts, marketing options and criteria to evaluate applicants and proposed projects \$1,169.6 for specialized legal counsel \$50.9 for other costs, including financial and legal research	3,000.0				3,000.0
6	3(b)	Revenue	Tax Division	Petroleum Production Tax (PPT) implementation costs: \$521.7 for three positions and contracts for developing regulations, expenses for public hearings and legal advice on regulations.	521.7				521.7
7	3(c)	Revenue	Tax Division	Language to allow the department to make refunds for capital expenditures and lease bids as provided in the PPT, AS 43 55.023(f).					0.0
8	4(a)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt. Road right-of-way permitting multi-year allocation in sec. 7(d)(1), ch. 5, SLA 2005, pg. 11, as amended by sec. 34(c), ch. 82, SLA 2006, pg. 151. The amount expected to be available is \$100.0. The lapse extension also applies to sec. 7(d)(2) Division of Oil and Gas Increased Workload, which expects \$150.0 to be available The lapse extension also applies to sec. 7(d)(3) Commissioner's office increased workload. This allocation is expected to be fully expended by June 30, 2007.					0.0
9	4(b)	Administration	Alaska Oil and Gas Conservation Commission	Extend the lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(a), ch. 5, FySLA 2005, pg. 100, line 21. The amount expected to be available is \$250.0					0.0

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1	Sec. No.	Department	RDU or Component or Capital	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
10	4(b)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline risk analysis and royalty issues multi-year allocation in sec. 20(c)(1), ch. 3, FSSLA 2005, pg. 107, line 2. The amount expected to be available is \$1,500.0. The lapse extension also applies to sec. 20(c)(2) gas pipeline corridor geologic hazards and resource evaluation. This allocation is expected to be fully expended by June 30, 2007.					0.0
11	4(b)	Revenue	Commissioner's Office	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec. 20(e), ch. 3 FSSLA 2005, pg. 107, line 13. The amount expected to be available is \$100.0.					0.0
12	4(b)	Revenue	Alaska Natural Gas Development Authority	Extend lapse date from June 30, 2007, to June 30, 2008, for the gas pipeline development multi-year appropriation made in sec 20(f), ch. 3, FSSLA 2005, pg. 107, line 16. The amount expected to be available is \$500.0.					0.0
13	4(c)	Natural Resources	Gas Pipeline	Extend lapse date from June 30, 2007, to June 30, 2008, for the Bullen Pt. Road right-of-way permitting multi-year allocation in sec. 20(d)(1), ch. 3, FSSLA 2005, pg. 107, line 10, as amended by sec. 34(d), ch. 82, SLA 2006, pg. 151. The amount expected to be available is \$800.0. The lapse extension also applies to sec. 20(d)(2) Division of Oil and Gas Increased Workload. This allocation is expected to be full expended by June 30, 2007. The lapse extension also applies to sec. 20(d)(3) Commissioner's office increased workload, which expects \$10.0 to be available.					0.0
14	5			Lapse of Other Appropriations					0.0
15	6			Retroactivity					0.0
16	7			Immediate Effective Date					0.0
17				Oil and Gas Supplemental Bill Total	33,071.7	0.0	0.0	0.0	33,071.7



Prudhoe Bay Unit

Duck Island Unit

Badami Unit

Bullen Point

Point Thomson Unit

Deadhorse Route

BVR Route

West Staines Airfield (Aban)

Department of Energy
Oil and Gas
State

- 2007_1_19 Alignments
- - - State Leases 2-7-05
- Development Units

Bullen Point Road Status Update January 23, 2007

DNR & Northern Region DOT&PF:

The design work for the project is being done under contract with Peratrovich, Nottingham, and Drage, Inc (PND). The University of Alaska Fairbanks is developing hydrologic models to be used in the design and environmental portions of the project. The COE permit application can be ready to submit upon instruction to do so. Additional funding is needed to continue this project.

Peratrovich, Nottingham, and Drage, Inc – Project Status:

The majority of survey work and aerial photography was completed for both the Deadhorse and DNR Routes during the 2005 and 2006 field season. Current efforts are focused on hydrology and hydraulic analysis of the river and stream crossings, as well as developing preliminary crossing concepts. This work is needed to develop layouts, but also to develop the environmental document. Other tasks PND is working on include:

- Hydrology – Currently 2 years worth of river break up data have been completed for the Deadhorse and DNR Routes. A third year is needed to further define the break up events along the two routes.
- Imagery and Aerial Photography – The orthophoto (July 2006) is complete and available for use. Satellite imagery for the entire project area is available.
- LIDAR data – Lidar data for the project area has been collected, and is being processed. The data will be available for use in March.
- Preliminary Bridge design is underway, and the development of the Design Study Report has begun. Preliminary layouts, alignments, sections, details, and cost estimates due in February 2007.
- Preliminary Road design has been completed, and alignments are currently being refined.
- Bathymetry data has been collected in the Bullen Point area for a proposed barge landing site. The Contractor is developing barge site layout concepts.
- Preliminary Wetlands GIS data has been collected based on the National Wetlands Inventory Mapping. Cultural Resource studies have been performed in the vicinity of the proposed river crossings on both the DNR and Deadhorse routes.

UAF Status

The University continues to monitor environmental data collection sites that were set up under an agreement with DOT&PF in 2006. Currently the University is evaluating the data collected, and developing the hydrologic baseline conditions for the watersheds east of the Dalton Highway. The University is working on the following:

- Environmental Monitoring station network is in place collecting environmental data (temp, wind, precip, etc).
- Development of a website to access this data "real time." This website will be available this spring.
- Developing Hydrologic models of the area - based on data collected to date, as well as correlations to existing Kuparuk River Watershed data. UAF is currently developing a preliminary model based on limited data collected to date. As more data is collected, the model will be refined.

Funding is needed to extend the agreement for the 2006-2007 collection season. DNR funding of this important data is needed to continue

Description of estimated expenditures for legal services in SB 82 and HB 138

February 27, 2007

Department of Law

Section 1

This section appropriates \$21,500,000 to the Department of Law for legal services related to oil, gas and mining. This request also covers legal services related to preparing and implementing gas pipeline legislation.

This section is intended to cover an anticipated supplemental need of \$8,700,000 for FY 07, and \$12,800,000 for FY 08.

The categories of matters covered by this request are as follows:

Item	FY 07 Supp	FY 08
TAPS Tariff	\$2.6 million	\$1.3 million
Income Tax	\$2.8 million	\$4.45 million
Royalty	\$0.3 million	\$1 million
Other Litigation	\$1.0 million	\$.05 million
Gas Pipeline	\$2 million	\$6 million
Total	\$8.7 million	\$12.8 million

Department of Natural Resources

Section 2(a)

This section includes a request for funding "outside legal counsel and experts on federal pipeline law and FERC procedures as well as "[a] consultant to advise the state on crafting an RFP consistent with the Alaska Gasline Inducement Act (AGIA) for gasline proposals and with analyzing those proposals under AGIA"

The funds requested in Section 1 by the Department of Law related to the gas pipeline are primarily intended to cover advice with respect to legal issues related to the AGIA and representation before federal agencies.

DNR often uses experts to assist it in analyzing various oil and gas issues. DNR usually does this under its own contracting authority. But some of these same experts may also be contracted under the Department of Law through its counsel depending on the particular subject matter or whether a matter is so closely aligned with the services a law firm is providing that confidentiality may be appropriate. In those cases, DNR typically provides funds to the Department of Law through an RSA. There is no duplication of legal services between DNR and the Department of Law.

This request is intended to cover the costs of those experts to the extent that they are retained through the law firms assisting the State.

Section 2(b)

The Department of Natural Resources typically utilizes the services of economists and other experts to analyze lease characteristics and potential lessee obligations that may become relevant to litigation. In many instances, DNR and the lessees successfully negotiate royalty settlements without resorting to arbitration or litigation. In the event that litigation is imminent or ongoing (as in the case of the Pt. Thomson unit), these activities are often directed by outside counsel and the experts serve as subcontractors to the outside counsel. This request is intended to cover the costs when those experts are billed through outside counsel contracts.

Department of Revenue

Section 3(a)

If changes to the State's fiscal regime become part of any gasoline proposal, or there are potential impacts to State finances and bond ratings from a gasoline proposal, outside counsel specialized in financial issues may be required. While the Department of Law oversees all legal work done on behalf of the State, this request is intended to cover the costs if and when the Departments of Revenue and Law believe that specialized counsel is required in these areas.

Section 3(b)

The Department of Law has utilized outside counsel with oil and gas production tax expertise in developing regulations to implement the PPT. This request is intended to cover costs in the event that the Departments of Revenue and Law

believe that the further use of specialized counsel is required during the first year of implementation.