

**ARKANSAS BUDGET SYSTEM
AGENCY PROGRAM COMMENTARY
1999 - 2001**

The Oil & Gas Commission functions as one program aimed at the conservation and fair distribution of mineral resources within its jurisdiction. This is accomplished through the efforts of the Commission's five working sections:

The Administrative Section is responsible for the administrative, financial, and management activities of the Agency.

The Engineering and Geology Sections are jointly responsible for the technical activities, records maintenance, and policing and enforcement activities required to produce and allocate oil and gas reserves as efficiently as possible. The Engineering Section also provides for audits of records to determine that oil and gas royalties are distributed in an accurate and timely manner.

The Production Section is responsible for accounting of oil, gas, and brine production, assessment of conservation taxes, compilation of statistical data for publications and for use by representatives of the industry and the general public.

The Underground Injection Control Section is responsible for monitoring underground disposal of waste fluids generated by oil and gas producers. Jurisdiction over such disposal is the Commission's part of State administration of the Underground Injection Control Program mandated by the Environmental Protection Agency.

All of the activities of the aforementioned sections are required to insure that all interested parties receive their just and equitable share of the benefits derived from oil, gas, and brine production and that sufficient information is available to assist in finding new oil and gas reserves for future use.

To remain prepared for peak operations, the Commission requests that the base level of each year be enhanced by providing Capital Outlay for replacement of vehicles and office, engineering, and communications equipment; increasing Professional Fees & Services for court reporter and royalty complaints investigation expenses; and increasing the Data Processing special line item and further increasing Professional Fees & Services as requested in the Commission's information technology plan submitted to the Department of Information Systems. Deletion of the Microfilm Equipment/Expenses special line item is also requested due to anticipated minimal future microfilming.

<p>AGENCY</p> <p style="text-align: center;">OIL & GAS COMMISSION</p>	<p>DIRECTOR</p> <p style="text-align: center;"><i>W. E. Wright</i></p> <p style="text-align: center;">William E. Wright</p>	<p>AGENCY PROGRAM COMMENTARY</p> <p style="text-align: center;">BR21</p>	<p>PAGE</p> <p style="text-align: center;">268</p>
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ARKANSAS OIL AND GAS COMMISSION
SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 1996

<u>Assets</u>					<u>Liabilities</u>			<u>Total Equity</u>
<u>Cash and Investments</u>	<u>Fixed</u>	<u>Other</u>	<u>Total</u>	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>		
\$ 5,293,901	\$ 2,480,765	\$ 78,908	\$ 7,853,574	\$ 49,583	\$ 74,025	\$ 123,608	\$ 7,729,966	

<u>Revenues</u>				<u>Expenditures</u>					<u>Other Sources (Uses)</u>	
<u>Inter-governmental</u>	<u>Federal</u>	<u>Licenses and Fees</u>	<u>Other</u>	<u>Total</u>	<u>Salaries and Matching</u>	<u>Grants and Aid</u>	<u>Capital</u>	<u>Other Operating</u>	<u>Total</u>	
\$ 0	\$ 0	\$ 1,564,531	\$ 37,864	\$ 1,602,395	\$ 930,442	\$ 14,000	\$ 107,458	\$ 400,031	\$ 1,451,931	\$ (

Findings

None.

Recommendations

None.

ARKANSAS BUDGET SYSTEM
EMPLOYMENT SUMMARY
AS REQUIRED BY ACT 358 OF 1993
(A.C.A 19-4-307)

AGENCY TITLE 440 - OIL AND GAS COMM

	MALE	FEMALE	TOTAL	PERCENTAGE OF TOTAL
WHITE EMPLOYEES	<u>12</u>	<u>13</u>	<u>25</u>	<u>96%</u>
BLACK EMPLOYEES	<u>0</u>	<u>1</u>	<u>1</u>	<u>4%</u>
EMPLOYEES OF OTHER RACIAL MINORITIES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
TOTAL EMPLOYED AS OF			<u>1</u>	<u>4%</u>
<u>08/08/98</u> DATE			<u>TOTAL MINORITIES</u>	
			<u>26</u>	<u>100%</u>
			<u>TOTAL EMPLOYEES</u>	

N. E. Wright

AGENCY DIRECTOR

CASH FUND BALANCE DESCRIPTION

AS OF JUNE 30, 1998

AGENCY: Oil and Gas Commission (440)

ACCOUNT INFORMATION				STATUTORY/OTHER RESTRICTIONS ON USE:
FUND ACCT.	BALANCE	TYPE	LOCATION	
Cash (301)	154,796.63	Checking	First National Bank El Dorado, AR	<p>STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES: Act 105 Of 1939 authorizes the agency to collect fees, and penalties.</p> <p>REVENUE RECEIPTS CYCLE: Fees and penalties are collected throughout the year.</p> <p>FUND BALANCE UTILIZATION: Funds are collected on a daily basis throughout the year. They are used to make refunds for overpayments and to reimburse bonds. The remaining balance each month is transferred to the Office of State Treasurer.</p>
ACCOUNT INFORMATION				STATUTORY/OTHER RESTRICTIONS ON USE:
FUND ACCT.	BALANCE	TYPE	LOCATION	
				<p>STATUTORY PROVISIONS FOR FEES, FINES, PENALTIES:</p> <p>REVENUE RECEIPTS CYCLE:</p> <p>FUND BALANCE UTILIZATION:</p>

**ARKANSAS BUDGET SYSTEM
DEPARTMENT APPROPRIATION SUMMARY**

AGENCY TITLE OIL AND GAS COMMISSION (440)		1997-99 Expenditures				1999-01 Biennium Request				1999-01 Executive Recommendation			
Appropriations		Actual	No. of	Budgeted	No. of	Year 1	No. of	Year 2	No. of	Year 1	No. of	Year 2	No. of
Code	Name	1997-98	Pos.	1998-99	Pos.	1999-00	Pos.	2000-01	Pos.	1999-00	Pos.	2000-01	Pos.
A20	Refunds/Transfers to Treasury	\$1,499,036	0	\$2,000,000	0	\$2,000,000	0	\$2,000,000	0	\$2,000,000	0	\$2,000,000	0
204	Oil and Gas Commission	1,579,805	26	2,632,455	27	3,251,441	27	2,831,423	27	3,148,441	27	2,728,423	27
TOTALS		\$3,078,841	26	\$4,632,455	27	\$5,251,441	27	\$4,831,423	27	\$5,148,441	27	\$4,728,423	27
Funding Sources			% of Total		% of Total		% of Total		% of Total		% of Total		% of Total
Fund Balances		\$3,212,714	50.7%	\$3,252,290	44.8%	\$2,619,835	39.6%	\$1,368,394	25.4%	\$2,619,835	39.6%	\$1,471,394	26.8%
General Revenues													
Special Revenues		1,619,381	25.6%	2,000,000	27.6%	2,000,000	30.2%	2,000,000	37.3%	2,000,000	30.2%	2,000,000	36.6%
Federal Funds													
Constitutional Officers Fund													
State Central Services Fund													
Non-Revenue Receipts													
Cash - Transfers to Treasury		1,499,036	23.7%	2,000,000	27.6%	2,000,000	30.2%	2,000,000	37.3%	2,000,000	30.2%	2,000,000	36.6%
Other													
Total Funding		6,331,131	100.0%	7,252,290	100.0%	6,619,835	100.0%	5,368,394	100.0%	6,619,835	100.0%	5,471,394	100.0%
Excess Appro./ (Funding)		(3,252,290)		(2,619,835)		(1,368,394)		(536,971)		(1,471,394)		(742,971)	
TOTAL		\$3,078,841		\$4,632,455		\$5,251,441		\$4,831,423		\$5,148,441		\$4,728,423	
DEPARTMENT OIL AND GAS COMMISSION (440)				DIRECTOR William E. Wright					DEPARTMENT APPROPRIATION SUMMARY BR 40				

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

The Oil & Gas Commission's cash fund is used for deposit of special revenue fees collected by the Agency. This account provides checks with which to make transfers to the State Treasury and eliminates the necessity of sending cash through the mail. This request is for continuation of this account at its current authorized level of \$2,000,000 each year.

The Executive Recommendation is for approval of the Agency Request.

AGENCY	APPROPRIATION	CASH FUND	ANALYSIS OF BUDGET REQUEST	PAGE
Name: Oil & Gas Commission Code: 440	Name: Refunds for Overpayments/ Transfers - Cash Code: A20	Name: Oil & Gas Commission - Cash Code: 301	BR20	273

ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----			-----99-00 FISCAL YEAR-----			-----00-01 FISCAL YEAR-----			-----R E C O M M E N D A T I O N S-----			
	97-98	98-99	98-99	BASE	CHANGE	TOTAL	BASE	CHANGE	TOTAL	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	AUTHORIZED APPRO							99-00	00-01	99-00	00-01
REFUNDS/TRANSFERS TO TREASURY	1,499,036	2,000,000	2,000,000	2,000,000	0	2,000,000	2,000,000	0	2,000,000	2,000,000	2,000,000		
TOTAL	1,499,036	2,000,000	2,000,000	2,000,000	0	2,000,000	2,000,000	0	2,000,000	2,000,000	2,000,000		
PROPOSED FUNDING SOURCES			*****										
UNDEVELOPED BALANCES			*****										
GENERAL REVENUES			*****										
SPECIAL REVENUES			*****										
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
NON-REVENUE RECEIPTS			*****										
CASH - TRANSFERS TO TREASURY	1,499,036	2,000,000	*****	2,000,000		2,000,000	2,000,000		2,000,000	2,000,000	2,000,000		
OTHER			*****										
TOTAL FUNDING	1,499,036	2,000,000	*****	2,000,000		2,000,000	2,000,000		2,000,000	2,000,000	2,000,000		
EXCESS APPRO/ (FUNDING)			*****										
TOTAL	1,499,036	2,000,000	*****	2,000,000		2,000,000	2,000,000		2,000,000	2,000,000	2,000,000		

DEPT 010 SEPARATE AGENCIES
 AGENCY 440 OIL AND GAS COMMISSION
 APPROPRIATION 200 REFUNDS FOR OVERPAYMENTS/TRANSFERS -- CASH
 FUND 301 OIL & GAS COMMISSION-CASH (440)

While the Cash Fund Balance Description form indicates a fund balance on June 30, a check for the full amount was placed in the mail to the State Treasury on that date. When the check was processed by the State Treasury, the proceeds became part of The Oil & Gas Commission Fund. Therefore, no available fund balance is indicated on this form.

APPROPRIATION SUMMARY

BR 215

**ARKANSAS BUDGET SYSTEM
ANALYSIS OF BUDGET REQUEST
1999 - 2001**

The Oil & Gas Commission's regular operating appropriation is funded by special revenues, as authorized in Arkansas Code §19-6-410. Base Level provides a cost of living increase of 2.8% each year over FY99 salary levels, including the related Personal Services Matching costs, for the Agency's 27 continuing positions. Base Level amounts are \$2,616,874 for FY00 and \$2,501,813 for FY01, with the first year higher, because the Data Processing special line item reflects appropriation in the first year only and special language enables balances to be carried forward. Changes requested for this appropriation are as follows:

Salary and Matching increases of \$1,567 in the first year and \$1,610 in the second year for Career Ladder Incentive Program.

Addition of \$78,000 each year in Professional Fees & Services for court reporter and royalty complaints investigation expenses.

Capital Outlay of \$100,000 each year for replacement of vehicles, engineering, communications, and office equipment.

Deletion of the special line item for Microfilm Equipment/Expenses. Conversion of most Agency records to computer accessibility will virtually eliminate the need for microfilming. This will result in a reduction of \$50,000 each year.

In its Information Technology Plan, submitted to and approved by the Department of Information Systems, changes totaling \$705,000 are requested for the purpose of converting well records and other data to digitized computer accessibility. Of this amount, Professional Fees & Services total \$400,000 in the first year and \$200,000 in the second year to contract with firms specializing in mass data conversions, and a first year increase of \$105,000 in the Data Processing special line item is for supporting hardware and software upgrades. Also requested is continuation of special language carry forward authority for the Data Processing special line item.

The Executive Recommendation provides for Base Level appropriation, as well as the Career Ladder Salary and Matching adjustments, the one time expenses of the Information Technology Plan, deletion of the Microfilming line item, continuation of special language authority, and Capital Outlay at a reduced level of \$75,000 each year.

AGENCY	APPROPRIATION	TREASURY FUND	ANALYSIS OF	PAGE
Name: Oil & Gas Commission Code: 440	Name: Oil & Gas Commission Code: 204	Name: Oil & Gas Commission Fund Code: SDO	BUDGET REQUEST BR20	275

ARKANSAS BUDGET SYSTEM

CHARACTER TITLE	-----EXPENDITURES-----		98-99	-----99-00 FISCAL YEAR-----			-----00-01 FISCAL YEAR-----			-----RECOMMENDATIONS-----			
	97-98	98-99	AUTHORIZED	BASE	CHANGE	TOTAL	BASE	CHANGE	TOTAL	EXECUTIVE		LEGISLATIVE	
	ACTUAL	BUDGETED	APPRO							99-00	00-01	99-00	00-01
REGULAR SALARIES	758,758	843,402	888,642	907,583	1,332	908,915	932,996	1,369	934,365	908,915	934,365		
NUMBER OF POSITIONS	26	27	28	27	0	27	27	0	27	27	27		
EXTRA HELP	16,545	45,000	45,000	45,000	0	45,000	45,000	0	45,000	45,000	45,000		
NUMBER OF POSITIONS	6	6	6	6	0	6	6	0	6	6	6		
PERSONAL SERV MATCHING	220,606	230,577	244,718	250,815	235	251,050	255,341	241	255,582	251,050	255,582		
OPERATING EXPENSES	284,819	301,476	301,476	301,476	0	301,476	301,476	0	301,476	301,476	301,476		
CONF FEES & TRAVEL	2,095	15,000	15,000	15,000	0	15,000	15,000	0	15,000	15,000	15,000		
PROF FEES & SERVICES	60,011	172,000	250,000	172,000	478,000	650,000	172,000	278,000	450,000	572,000	372,000		
CAPITAL OUTLAY	60,441	100,000	100,000	0	100,000	100,000	0	100,000	100,000	75,000	75,000		
POLLUTION CONTROL	10,000	10,000	10,000	10,000	0	10,000	10,000	0	10,000	10,000	10,000		
DATA PROCESSING SERVICES	28,149	145,000	CARRY-FORWARD	145,000	105,000	250,000	0	0	0	250,000	CARRY-FORWARD		
INTERSTATE OIL COMPACT	4,300	5,000	5,000	5,000	0	5,000	5,000	0	5,000	5,000	5,000		
WELL CAPPING EXPENSE	98,740	650,000	650,000	650,000	0	650,000	650,000	0	650,000	650,000	650,000		
UNDERGROUND INJECTION	30,341	60,000	60,000	60,000	0	60,000	60,000	0	60,000	60,000	60,000		
MICROFILM EQUIP/EXPENSES	0	50,000	50,000	50,000	-50,000	0	50,000	-50,000	0	0	0		
GROUND WATER PROTECTION	5,000	5,000	5,000	5,000	0	5,000	5,000	0	5,000	5,000	5,000		
TOTAL	1,579,805	2,632,455	2,624,836	2,616,874	634,567	3,251,441	2,501,813	329,610	2,831,423	3,148,441	2,728,423		
PROPOSED FUNDING SOURCES			*****										
UND BALANCES	3,212,714	3,252,290	*****	2,619,835		2,619,835	1,368,394		1,368,394	2,619,835	1,471,394		
GENERAL REVENUES			*****										
SPECIAL REVENUES	1,619,381	2,000,000	*****	1,365,433	634,567	2,000,000	1,679,390	329,610	2,000,000	2,000,000	2,000,000		
FEDERAL FUNDS			*****										
STATE CENTRAL SERVICES FUND			*****										
ON-REVENUE RECEIPTS			*****										
CASH FUNDS			*****										
OTHER			*****										
TOTAL FUNDING	4,832,095	5,252,290	*****	3,985,268	634,567	4,619,835	3,038,784	329,610	3,368,394	4,619,835	3,471,394		
EXCESS APPRO/ (FUNDING)	(3,252,290)	(2,619,835)	*****	(1,368,394)		(1,368,394)	(536,971)		(536,971)	(1,471,394)	(742,971)		
TOTAL	1,579,805	2,632,455	*****	2,616,874	634,567	3,251,441	2,501,813	329,610	2,831,423	3,148,441	2,728,423		

EPT 010 SEPARATE AGENCIES
 GY 440 OIL AND GAS COMMISSION
 PPRO 204 OIL AND GAS COMMISSION

APPROPRIATION SUMMARY

BR 215

UND SDO OIL AND GAS COMMISSION FUND (440)

ARKANSAS BUDGET SYSTEM

PROGRAM/SERVICE INFORMATION LIST

RANK BY APPROPRIATION

01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19
RANK	PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	EXPENDITURES		-----1999 - 01 BIENNIIUM REQUESTS-----				-----R E C O M M E N D A T I O N S-----							
					ACTUAL	BUDGETED	FY 1999 - 00		FY 2000 - 01		EXECUTIVE		LEGISLATIVE					
					97-98	98-99	REQUEST	REQUEST	1999-00	2000-01	1999-00	2000-01						
000		SDO	440 204	B	1,579,805 26	2,632,455 27	2,616,874 27			2,501,813 27				2,618,441 27	2,503,423 27			
001		SDO	440 204	C01			100,000 0			100,000 0				75,000	75,000			
<p>Capital Outlay is requested for replacement of vehicles, communications equipment, engineering equipment, and office equipment.</p>																		
001		SDO	440 204	C02			78,000 0			78,000 0								
<p>This request will restore appropriation budgeted for processing of royalty complaints and court reporter expenses in Professional Fees & Services that was reduced by provisions of Act 494 of 1993.</p>																		

DEPT 010 SEPARATE AGENCIES
 AGY 440 OIL AND GAS COMMISSION
 APPRO 204 OIL AND GAS COMMISSION
 FUND SDO OIL AND GAS COMMISSION FUND (440)

RANK BY APPROPRIATION
 BR 264

ARKANSAS BUDGET SYSTEM
PROGRAM/SERVICE INFORMATION LIST
RANK BY APPROPRIATION

02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19

PROGRAM DESCRIPTION	FUND	ACCOUNTING INFORMATION	D E S	-----1999 - 01 BIENNIIUM REQUESTS-----				-----R E C O M M E N D A T I O N S-----					
				-----EXPENDITURES-----		-----FY 1999 - 00-----		-----FY 2000 - 01-----		-----EXECUTIVE-----		-----LEGISLATIVE-----	
				--ACTUAL-- 97-98	--BUDGETED-- 98-99	-----REQUEST-----	-----REQUEST-----	1999-00	2000-01	1999-00	2000-01		
	SD0	440 204	C03			-50,000 0	-50,000 0	-50,000	-50,000				
<p>This request is for deletion of the Microfilm Equipment/Expenses special line item. Since the Commission plans to digitize most of its records to make them computer accessible, any future microfilming expenses will be minimal and can be paid out of the Operating Expenses line item.</p>													
	SD0	440 204	C08			505,000 0	200,000 0	505,000	200,000				
<p>This request is for increases that will support the Commission's Information Technology Plan, as submitted to the Department of Information Systems. These are the addition of \$105,000 in the first year in the Data Processing special line item for hardware and software expenses and \$400,000 in the first year and \$200,000 in the second year in Professional Fees & Services to contract for conversion of well records into computer accessible data.</p>													
	SD0	440 204	C09			1,567 0	1,610 0						
<p>Enhanced titles are attached to three positions by the Career Ladder Incentive Program, an Administrative Assistant, and two Accounting Technicians. Appropriation is requested for one of these positions in which the salary for the higher level must be brought up to Band I of the current pay structure.</p>													

010 SEPARATE AGENCIES
440 OIL AND GAS COMMISSION
0 204 OIL AND GAS COMMISSION

RANK BY APPROPRIATION

BR 264

SD0 OIL AND GAS COMMISSION FUND (440)