

E. ~~Adm.~~ Admin. Load & Staff Needs; Question
of Feasibility

E. Admin. Load & Staff Needs

Recap., summary

Part, excessively dominated, ^{a limited} by need to ease on staff.
Inapprop. to manage assets so large & ~~at~~ ripening into much
larger. ~~For~~ Sales dominated by cash needs of state, a passive
posture of non-input.

Get are properly cautious re building large costly
staff. Bad precedent, ~~the~~ staff in charge of valuable watch.
res. ~~begin~~ eats up much of profit.

As elsewhere, perceptual bias, we ~~are~~ are more
aware of labor cost than invisible capl. cost. Main waste to
ground vs. is internalizing ^{rent by} profit. — treating ~~as~~ K outlays
like current expenses. PONYA, Highway Trust Fund, USFS
Cost of internal K doesn't appear in budget. Beware
curry w/holding too far, is way of internalizing. Shadow mortgage

Cost of hi salaries much less than cost of salaries
too low to hold staff capable of doing the job.

A few hi salaries at top create incentives clear to bottom

Also, cautious re Tyranny. Beware vesting arbitrary power.

To accomplish.

~~Still, avoid big staff~~

Use incentives, avoid direct reg.

DCF criterion

Local control of utilities

1. ~~Pay~~ royalties, one-sided. Successful sharing involves overseeing.

~~Pay~~ work commitment. Arbitrary judgments to royalty which seems simple, is not.

Must monitor price. Sliding royalties can be simple, but not good.

2. Audit is next step, away from arbitrary. Cost sharing.

Requires IRS kind of staff.

Complex problem of deprec. - lives & paths, never resolved by IRS. Front-end recovery excepted.

Tracing thru complex schemes for padding costs, endless maze.

3. Appraisal is next step. Requires staff of appraisers, supported by rec. engs. Apprais. involves discounting, forecasting, is a kind of audit.

Is also useful to audit administrators; slap ~~in~~ shadow mortgage on them, be sure they earn at least rate.

also, preleasing steps, outlay for info. Will see cash outflow; have to infer results. ^{another perceptual bias}

~~4. Beyond this, is dangerous to go even broadly, go w/o having control over res.~~

2 is like IRS; 3 is like prop. tax.

4. Next step is ex ante system, bonus or/ & rental.

No need to audit, apprais. Shd. still appraise before, to know when

to sell. So don't obviate appraisal.

Intel. judgment re when to quit.

5. Next step, claim statig.

3. Appraisal also needed to assess env. impacts.

Art of valuation has many uses.

Appraisal gets rt. to the heart of the rent-collecting business, which is distinguishg hi & lo-cost deposits

And timing. Major personal recommendation is to staff up a large appraisal section in DNR

You have to know what you have, & how it is growg.

State has to manage prop'ty. w/o op'g it. "Manage" remotely. ~~Best~~ Most feasible way is to know its worth & require a return based on that.

Have to value State's share, under any system.

Do post-mortems

Re royalties, must set price. Price is too low.
To get around,

Lay out need for more personnel. Emphasize, for legis latine.

✓ Re commend massive & coord. info. collection & publishing.
Require disclosure, & release it. Cost data, burden on lessee, etc.
Res. land is public -

All price-based systems call for monitoring price. Taking
Ak's share in kind is one way, if underpricing is suspected.
Better, State has option of buying back all oil at the
alleged price. Need standby agency to market, in case.

Also, coord. w. price used for Fed. tax

Need staff or consulting apparatus to evaluate damages
from. to rev.

Symmetrically, windfalls for wipeouts.

State indy. agency for royalty share, sold in small
lots to hi bidder on world market.

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Rent-share

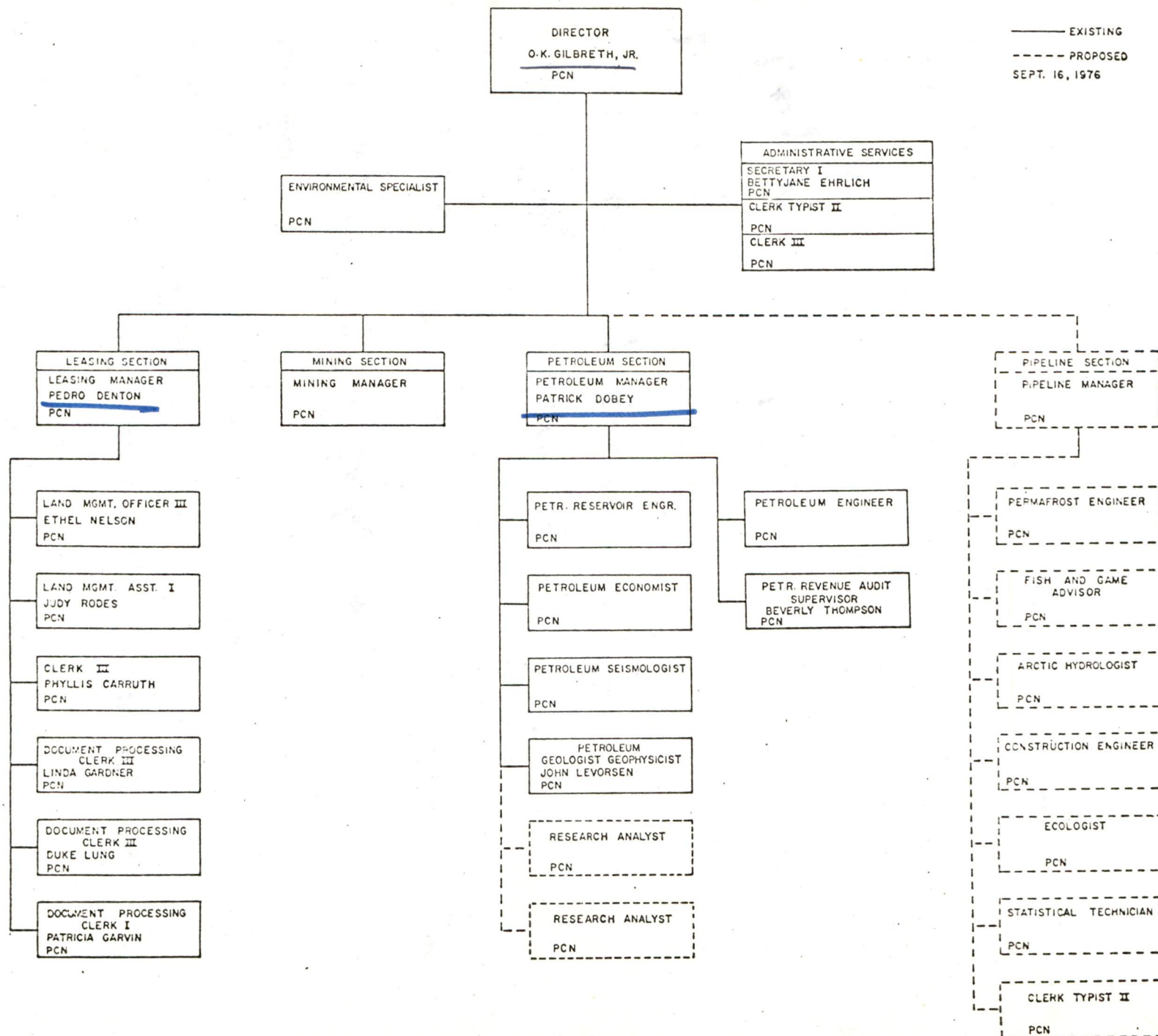
Minerals is the place for self-assmt. to work.

1. Overrides. Non-comp. leasing.
2. All land available for non-comp. unless leased comp.
3. Cook Inter, State success story
Large Tracts, > 5,000 a.
Discovering Royalty Incentive. Reduced royalty to first divar. on a "structure".
4. Land freeze
5. Adversary relationship development
6. Reserves tax. On proved reserves, where pipeline not available.
7. Pre-drilling cost is ca. = drilling.
There is great duplication; but also
8. "Drilling funds"; new
9. Doherty in charge of review.

Notes from Gilbreth, Marshall, Newton & Doherty,
Sept. 20 or so conf.

PROPOSED ORGANIZATION
DIVISION OF MINERALS AND ENERGY MANAGEMENT

— EXISTING
- - - PROPOSED
SEPT. 16, 1976



Post. mortem.

ok. does none.

USGS - BLM do them routinely - p. 24 (of what?)

I wonder if they do much. Mead & Norgaard are doing them.