



Alaska Department of
**NATURAL
RESOURCES**

Briefing Paper
SB 146: Approve Tesoro Royalty Oil Sale
Division of Oil and Gas
January 2014

Purpose:

This bill grants legislative approval of an amendment of a royalty oil supply contract negotiated between the State of Alaska and Tesoro Refining & Marketing Company, LLC (Tesoro), the owner and operator of the Kenai Refinery.

History:

The Department of Natural Resources (DNR) and Tesoro recently entered a one-year royalty oil supply contract in October 2013 to deliver up to 15,000 barrels per day of Alaska North Slope royalty oil beginning February 1, 2014. Legislative approval was not required for “the sale, exchange or other disposition of oil or gas *for one year or less* if the sale, exchange, or other disposition of oil or gas is entered into to relieve storage or market conditions.”

Subsequent to the approval of the one-year contract, DNR and Tesoro agreed to an amendment to continue deliveries for one year beyond the State’s current contractual obligation. Extending the October 2013 Agreement through January 31, 2016 and committing to royalty oil deliveries for more than one year triggered additional provisions of AS 38.05.183 and AS 38.06.055 that require a recommendation of the Alaska Oil and Gas Royalty Development Advisory Board (Royalty Board) and approval by the Alaska Legislature.

The Royalty Board reviewed the proposed amendment through a public hearing process and, in accordance with AS 38.06.050, issued a written recommendation on December 11, 2013, for legislative approval of the sale. Their resolution, along with the DNR commissioner’s determination, is included in the Final Best Interest Finding and Determination for an Amendment of the “Agreement for the Sale of Royalty Oil between and among the State of Alaska and the Tesoro Refining & Marketing Company, LLC, a Delaware Limited Liability Company, October 25, 2013.”

Sectional Analysis:

Section 1 provides legislative approval of an amendment of a royalty oil contract between the State of Alaska and Tesoro Corporation and Tesoro Refining & Marketing Company LLC, attached as Exhibit 1 to the final best interest finding and determination executed January 9, 2014.

Section 2 provides an immediate effective date.