

THE ALASKA ROYALTY OIL AND GAS DEVELOPMENT ADVISORY BOARD
Resolution 2016-2

Whereas, on Wednesday, August 31, 2016 at 10:00 a.m., the Alaska Royalty Oil and Gas Development Advisory (“Royalty Board”) conducted a public hearing in the Prudhoe Bay Conference Room of the Atwood State Office Building, 550 W. 7th Avenue, Suite 1100, Anchorage, Alaska to consider the two proposed royalty in-kind oil supply contracts, both titled “Agreement for the Sale of Royalty Oil between and among the State of Alaska, and Petro Star Inc. and Arctic Slope Regional Corporation” (“Proposed Contracts”).

Whereas, under the Proposed Contracts, the Alaska Department of Natural Resources (“DNR”) will sell North Slope royalty oil in kind to Petro Star Inc. for a combined period of five years. Under the first contract, DNR proposes to deliver between 18,800 to 23,500 barrels per day (bpd) with the objective to relieve market conditions under 11 AAC 03.024(3). DNR estimates the one-year contract to begin delivery of royalty oil on January 1, 2017 and continue until December 31, 2017. Subsequently, the second contract will have a term of four years, beginning on January 1, 2018 and ending on December 31, 2021. In this second contract, deliveries of royalty oil will range from 16,400 to 20,500 bpd in the first year; from 13,200 to 16,500 bpd in the second year; from 10,800 to 13,500 bpd in the third year; and from 8,400 to 10,500 bpd in the fourth year. Alaska Statute 38.06.055(b) allows the commissioner to enter into a sale of royalty oil without the prior approval of the Alaska Legislature if the sale is for one year or less and is entered into to relieve market conditions. Contracts longer than one year require recommendation of the Royalty Board and legislative approval. Upon issuance of the Final Best Interest Finding, DNR intends to execute the first contract. Upon the recommendation of the Royalty Board, DNR anticipates that the Governor will propose a bill to the legislature seeking approval for the second contract.

Whereas, at this public hearing, the Royalty Board reviewed the Preliminary Best Interest Finding and Determination for the Sale of Alaska North Slope Oil to Petro Star Inc. (“Preliminary Finding and Determination”) submitted to the Royalty Board by DNR by mail on July 28, 2016 and provided in electronic form at the Division of Oil and Gas website. Additionally DNR received no comments from the members of the public regarding this proposed sale. In this way, the Royalty Board’s review and recommendation are inputs that DNR uses to convert the Preliminary Finding and Determination into the Final Best Interest Finding and Determination for the Sale of Alaska North Slope Oil to Petro Star Inc.

Whereas, at this public hearing, the Royalty Board heard testimony from the staff of DNR.

Whereas, the Royalty Board reviewed the testimony and considered the recommendation of the Proposed Contracts in light of the criteria under AS 38.06.070. After a thorough discussion, the Royalty Board voted to approve the proposed sale and recommend the second contract be approved by the Alaska Legislature. The Royalty Board also adopted the attached report to be submitted to the Alaska Legislature along with its recommendation as required under AS 38.06.070.

Be it resolved, that based on the Royalty Board’s review of the Proposed Contracts, the Preliminary Finding and Determination, and the information presented at its public hearing, the Royalty Board is of the opinion that the proposed disposition of North Slope royalty oil to Petro Star Inc. meets the requirements of AS 38.06.070. In accordance with AS 38.06.070(c) the Royalty Board submits the attached report and, in accordance with AS 38.06.050, recommends that the Alaska State Legislature approve the proposed second contract.

