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Governor Mike Dunleavy
STATE OF ALASKA

April 14, 2025

The Honorable Gary Stevens
Senate President
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to approval and ratification of the sale of royalty oil by the State of Alaska to Marathon Petroleum and Trading Company LLC (Marathon).

The Commissioner of the Department of Natural Resources (DNR) has determined that it is in the best interest of the State to take royalty oil in-kind from leases on the North Slope. To this end, DNR has negotiated a proposed contract titled "Agreement for the Sale of Royalty Oil between and among the State of Alaska, and Marathon Petroleum Supply and Trading LLC, a Delaware Limited Liability Company and Marathon Petroleum Corporation, a Delaware Corporation" (Proposed Contract). This bill would approve and ratify the Proposed Contract. The Proposed Contract obligates the State to deliver between a minimum of 10,000 barrels per day (bpd) and a maximum of 15,000 bpd to Marathon. Based on yearly average forecasts, Marathon's nominations under the Proposed Contract could represent 12 percent to 36 percent of the State's North Slope royalty oil. The State will receive a price for its royalty oil that will equal or exceed the price it would have received had it elected to keep its royalty in-value. In total, the Proposed Contract is expected to net the State roughly \$4 to \$18 million in revenue above what the State would receive by taking the royalty in-value.

The State currently sells royalty oil to Marathon under a three-year contract, which was approved by the legislature in 2022 and expires July 31, 2025. The Proposed Contract would take effect on August 1, 2025 and terminate on July 31, 2028. The Proposed Contract also provides for automatic one-year extended terms for an additional seven years, with each party having the right to terminate after three years.

The bill is the culmination of diligent analysis and public process that are imperative for responsible resource stewardship. DNR and the Alaska Royalty Oil and Gas Development

The Honorable Gary Stevens

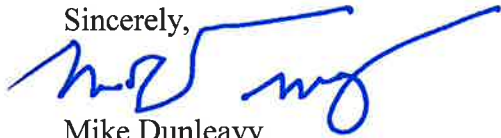
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Advisory Board (Board) considered the fiscal, economic, societal, and environmental impacts and benefits of the agreement. DNR issued a Final Best Interest Finding and Determination on the agreement that included analysis of the factors for the sale of royalty oil in AS 38.05.183. The Department did not receive any comments from the public on the sale during the public comment period that ended on April 11, 2025. Additionally, the Board held two public hearings on the sale. In accordance with AS 38.06.050, the Board voted to approve a written recommendation and report on April 8, 2025, recommending legislative approval of the agreement.

This bill would allow the State to obtain the maximum value for its royalty oil. I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mike Dunleavy", with a long horizontal flourish extending to the right.

Mike Dunleavy
Governor

Enclosure