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Governor Sean Parnell
STATE OF ALASKA

March 26, 2013

The Honorable Charlie Huggins
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Huggins,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill approving and ratifying the sale of royalty oil by the State of Alaska to Flint Hills Resources Alaska, LLC.

The bill would approve and ratify the contractual agreement for the sale and purchase of State royalty oil between the State of Alaska and Flint Hills Resources Alaska, LLC, attached as Exhibit 1 to the "Final Best Interest Finding and Determination for the Sale of Alaska North Slope Royalty Oil to Flint Hills Resources Alaska, LLC" dated March 25, 2013. The contract that is the subject of this bill provides that the State will sell Flint Hills Resources Alaska, LLC an amount of the State's royalty oil that is between 18,000 to 30,000 barrels per day, subject to certain limitations and volume reduction provisions. The royalty oil will be sold at a price calculated to equal or exceed the value the State would obtain for the royalty oil if it was taken in-value and sold by the producers rather than taken in-kind and sold by the State to Flint Hills Resources Alaska. The term of the contract is five years, with royalty oil deliveries commencing on April 1, 2014, and terminating on March 31, 2019, with provisions to extend the contract subject to legislative approval.

The proposed sale was reviewed by the Alaska Royalty Oil and Gas Development Advisory Board through a public hearing process held February 26, 2013. In accordance with AS 38.06.050, the board issued a written recommendation for legislative approval of the sale.

I urge your prompt and favorable action on this measure. A copy of the contract will be provided by the Department of Natural Resources for your review.

Sincerely,

A handwritten signature in blue ink that reads "Sean Parnell".

Sean Parnell
Governor

Enclosure