

PETRO STAR INC.

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January 26, 2017

Senator Giessel, Chair
Senator Coghill, Vice-Chair
Members of the Senate Resource Committee
State Capitol Building, Room 205
Juneau, Alaska 99801

RE: Support for Senate Bill No. 30

Dear Senators,

I am writing to you in support of Senate Bill No. 30 "An Act approving and ratifying the sale of royalty oil by the State of Alaska to Petro Star Inc.; and providing for an effective date." We are grateful to the Departments of Natural Resources (DNR) and Oil & Gas (DOG) for their efforts in allocating Royalty-in-Kind (RIK) volumes to Petro Star Inc. during recent commercial negotiations. As a subsidiary of an Alaska Native Corporation, Petro Star is eager to continue a mutually beneficial relationship with the State of Alaska, creating more opportunity and value for all Alaskans.

Petro Star is proud to be Alaska's only locally owned petroleum refiner and a strong industry partner of the State. Our refining operations began in Alaska with the commissioning of the North Pole Refinery in 1985 and continued with the commissioning of the Petro Star Valdez Refinery in 1993. Combined, our refineries have the capacity to produce over 25,000 barrels per day of refined products, focusing on jet fuels, heating oils, ultra-low sulfur diesel fuels, turbine fuels and more recently, asphalt oil, for customers including the Defense Logistics Agency, commercial airlines, large mines and electric utilities, and numerous fuel distributors and paving companies. Petro Star also operates its own fuel distribution network throughout the State, delivering quality fuel products directly to commercial and residential consumers in Fairbanks, Kodiak, Dutch Harbor, Valdez and Anchorage.

After the shuttering of the Flint Hills Refinery in 2015, Petro Star became the only TAPS refiner in Alaska and stepped up to the plate in providing fuel to the Interior's largest electrical cooperative, Golden Valley Electrical Association (GVEA). In 2016, we announced a 12-year agreement to provide higher quality, lower cost fuel to GVEA while still allowing for the introduction of LNG into the Interior at a future date. We also restored a local source of supply of asphalt oil to the Interior and look forward to supporting the Department of Transportation's paving projects in the future.

Combined with its fuel distribution network and retail division, North Pacific Fuels and Sourdough Fuels, Petro Star operates 10 convenience stores, 6 marine terminals and employs over 300 Alaskans throughout the State. We also typically supply over 90% of the military jet fuel in Alaska, supporting Eielson AFB and Joint Base Elmendorf-Richardson.



Petro Star is proud of its ability to support our local communities both monetarily and with volunteers and activities. Our employees sit on the Boards of Armed Services YMCA of Alaska, Alaska Oil & Gas Association, Junior Achievement of Alaska and Special Olympics Alaska. We also support our sister community, Anaktuvuk Pass through our Paannaq Programs for community economic development.

Petro Star strongly urges you to support Senate Bill No. 30 and approve the four-year agreement for the sale of RIK to Petro Star because it will benefit the State and Alaskan fuel consumers. This legislation is a result of hard work by Petro Star and DNR/DOG to provide a stable supply of RIK oil to Petro Star for the first time since 1991. Equally important, according to the Dept. of Revenue's Fiscal Note, this agreement provides for revenues in addition to what the State would have received in value.

While the volumes under our proposed four-year agreement decline, we hope the State and current Legislature will make every effort to ensure increased oil production for Alaska. This will help Petro Star in purchasing RIK volumes for many years to come. We look forward to working with the State of Alaska and continuing to provide quality fuel to Alaska.

Sincerely,

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

Doug Chapados
CEO/President