



THE STATE
of **ALASKA**
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Department of Natural Resources

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**ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
NOTICE OF FINAL BEST INTEREST FINDINGS AND DETERMINATION FOR A
PROPOSED SALE OF NORTH SLOPE ROYALTY OIL TO PETRO STAR INC.**

The Commissioner of the Department of Natural Resources issued on September 15, 2016 the “Final Best Interest Finding and Determination for the Sale of Alaska North Slope Royalty Oil to Petro Star Inc.” In this final finding, the Commissioner proposes to sell royalty oil from the State oil and gas leases on the North Slope under two separate contracts for a combined period of five years. Deliveries of royalty oil under the first contract will range from 18,800 to 23,500 barrels per day (bpd) and have a duration of one year, with an estimated starting date of 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 four-year 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. The price provision in these proposed contracts is based on a formula that relies on accepted industry price reporting services and resembles the formulas used to calculate the value of royalty paid to the State by the North Slope producers. The Commissioner’s Final Best Interest Finding and Determination includes the final version of the sales contracts, provides an analysis of their specific provisions, and how they will serve the best interests of the state under the criteria set out in AS 38.05.183 and AS 38.06.070. The Department of Natural Resources did not receive comments from the public during the public comment period that ended on August 29, 2016.

These findings are final; and the recommendation and comments received from the Royalty Board were considered to complete the Final Best Interest Finding and Determination and to determine that the proposed sales contracts are in the state’s best interest. Under the criteria set out in AS 38.06.055, the Commissioner will enter into the first contract for a term of one year. For the second contract, with a term of four years, a bill will be introduced in the legislature.

FOR INFORMATION CONCERNING THIS PROPOSED ROYALTY OIL SALE OR TO RECEIVE COPIES OF THE COMMISSIONER’S FINAL BEST INTEREST FINDING AND DETERMINATION AND THE PROPOSED CONTRACTS, PLEASE SEE CONTACT INFORMATION BELOW.

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