



**ALASKA DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
NOTICE OF PRELIMINARY BEST INTEREST FINDINGS AND DETERMINATION FOR A
PROPOSED SALE OF NORTH SLOPE ROYALTY OIL TO TESORO REFINING &
MARKETING COMPANY, LLC**

The Division of Oil and Gas is seeking comments regarding the Commissioner's "Preliminary Best Interest Finding and Determination for the Sale of Alaska North Slope Royalty Oil to Tesoro Refining & Marketing Company, LLC." The Department of Natural Resources proposes to sell approximately 20,000 to 25,000 barrels per day of the State's North Slope royalty in-kind oil to Tesoro Refining & Marketing Company, LLC for processing at its refinery at Nikiski, in the Kenai Peninsula Borough. The deadline for comments on this Preliminary Best Interest Finding and Determination is 4:30 PM AST, **March 7, 2016**.

The Commissioner of the Department of Natural Resources proposes to sell royalty oil from the State oil and gas leases on the North Slope under a five-year contract. Deliveries of royalty oil under this proposed contract will have an estimated starting date of August 1, 2016 and continue until August 1, 2021. The price provision in the proposed contract is based on a formula that relies on accepted industry price reporting services and resembles the formulas used to calculate value of royalty paid to the State by the North Slope producers. The Commissioner's Preliminary Best Interest Finding and Determination includes a draft of the sales contract, provides an analysis of its specific provisions, and how it will serve the best interests of the state under the criteria set out in AS 38.05.183 and AS 38.06.070.

These findings are preliminary; final conclusions have not been reached. Comments received from the public and from the Royalty Board will be used to determine whether the proposed sales contract is in the state's best interest, and if so, whether changes are needed. If the Commissioner determines that the proposed sale is in the state's best interest and if the Royalty Board recommends that the sale go forward, a bill will be introduced in the legislature to approve the contract.

FOR INFORMATION CONCERNING THIS PROPOSED ROYALTY OIL SALE OR TO RECEIVE COPIES OF THE COMMISSIONER'S PRELIMINARY BEST INTEREST FINDING AND DETERMINATION AND THE DRAFT OF THE PROPOSED CONTRACT, PLEASE SEE CONTACT INFORMATION BELOW.

Comments should be mailed or emailed to:

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