

Section Four

Royalty Production and Revenue

Introduction

The state of Alaska receives a royalty of approximately 12.5 percent of the oil and gas produced from its leases. The state may take its share of oil production “in-kind” or “in-value.” When the state takes its royalty share in-kind (RIK), it assumes possession of the oil or gas. The commissioner of Natural Resources may sell the RIK oil or gas in a competitive auction or through a noncompetitive sale negotiated with a single buyer. When the state takes its royalty in-value (RIV), the state’s lessees who produce the oil or gas market the state’s share along with their own share of production. The lessees remit cash payments on a monthly basis for the state’s RIV share.

Over the last 30 years the state has taken about one-half of its royalty oil as RIK.¹ The state has sold nearly 800 million barrels of RIK oil during this time, most of it in-state. These in-state sales provided an important stimulus to Alaska’s refining industry by providing long-term supplies of oil to each of the state’s four refineries. Over the years, state RIK sales fueled many controversies and policy debates over the appropriate use of the state’s natural resources.

Cook Inlet

In 1969 the commissioner of Natural Resources negotiated a sale of 100 percent of the state’s royalty from Cook Inlet to the Alaska Oil and Refining Company. Within months of signing the contract, Alaska Oil and Refining Company merged with the Tesoro Petroleum Company. Tesoro subsequently built a new refinery in Nikiski on the Kenai Peninsula next to Chevron’s refinery, built in 1964. Between 1969 and 1985 the state sold all of its Cook Inlet royalty oil to the Tesoro refinery. By 1980, the production decline in Cook Inlet prompted Tesoro to negotiate the first of several sales contracts with the state for supplies of RIK oil from the North Slope. By the end of 1985 Tesoro had replaced its Cook Inlet RIK volumes with supplies of RIK from the North Slope.

In 1987 the state began to export Cook Inlet RIK oil to the Chinese Petroleum Company. These volumes were produced from fields on the west side of the Cook Inlet after the federal government exempted Cook Inlet production from export administration regulations. The state sold 97 percent of the royalty production from the McArthur River, Trading Bay, North Trading Bay, and Granite Point fields in a series of one-year competitive auctions. In 1991 deliveries under the last Chinese Petroleum contract were halted under force majeure following the December 1989 eruption of the Mount Redoubt volcano. There have been no Cook Inlet RIK sales since (See Table IV.8.).

¹ The state also sold 10.4 Bcf of RIK gas in a contract to Alaska Pipeline Company (Enstar) from 1977 through 1984 from Cook Inlet royalty production. In a bid to encourage development of the gas resource in Prudhoe Bay, the state entered 20-year contracts in January 1977 to supply El Paso Natural Gas Co., Tenneco Alaska Inc., and Southern Natural Gas Co. with 25 percent, 50 percent, and 25 percent, respectively, of Prudhoe Bay Unit RIK gas. The contracts terminated in May 1978 when the proposed El Paso Trans-Alaska Gas Pipeline did not receive federal certification.

North Slope

Over the past 25 years, the state has held nine RIK sales involving portions of its Alaska North Slope (ANS) royalty oil production. These sales are summarized in Table IV.7 and Figure IV.3. In 1976, the state signed a six-year contract with Golden Valley Electric Association (GVEA), the electric utility in Fairbanks, to sell approximately 3,300 barrels of ANS crude oil per day as turbine fuel. GVEA did not exercise its option to take RIK until 1981 and it traded these volumes with Mapco (now Williams Alaska) in exchange for refined fuel. The state subsequently sold RIK ANS to GVEA in two other contracts until 1992. As in the first contract, GVEA traded these volumes with Mapco.

In 1978 the state contracted with Earth Resources Company of Alaska, predecessor to Mapco Alaska and Williams Alaska Petroleum Company, to supply 15 percent of Prudhoe Bay RIK oil production less the quantity dedicated to GVEA. This 25-year contract expired in December 2003. Williams received a maximum of 35,000 barrels per day of RIK oil produced from the Prudhoe Bay Unit under this contract and supplemented this supply with new agreements for another 28,000 barrels per day.

In September 2003, the state negotiated a temporary contract with Williams for the period January 1, 2004, through March 31, 2004. The state also negotiated a new 10-year contract with Flint Hills Resources Alaska, LLC (FHR), signed by the Governor on March 9, 2004, enabling FHR to take over the Williams' North Pole refinery on March 31. Deliveries of royalty oil under the new RIK contract began April 1, 2004. The state sold approximately 62,476 barrels per day to FHR, or more than 54 percent of the total royalty oil produced on the North Slope for the period January 1 through December 31, 2005.

The contract contained special conditions which serve as additional consideration for FHR's purchase of the state's royalty oil. FHR will maintain gasoline wholesale rack price parity between Anchorage and Fairbanks. FHR will invest approximately \$100 million to install clean fuels processing equipment and facilities in the North Pole Refinery and/or elsewhere in Alaska, fulfill and enhance the previous commitments made by Williams to the Government Hill Community Council in Anchorage to address concerns about gasoline storage tanks near Government Hill and undertake additional projects to improve the Anchorage Tank Farm Facility. FHR will also continue to ship refined products to Anchorage via the Alaska Railroad, (FHR shipments represented 48 percent of the total freight loadings for the Alaska Railroad for 2005). In Fairbanks, FHR will study the use and viability of the hydrant fueling system at the Fairbanks International airport (FIA), concentrate on promoting FIA to cargo carriers, evaluate and possibly upgrade FIA fuel distribution facilities, and charge a jet fuel customer in Fairbanks the same or lower price as FHR charges that same customer in Anchorage. FHR met all of these conditions for 2005.

Tesoro has been an important North Slope RIK customer. Tesoro negotiated and bid for several contracts that supplied it with RIK supplies from 1980 to 1998. Chevron was another big purchaser of North Slope RIK for oil supplied to its Nikiski refinery from 1980 through 1991, when it finally shut down its Nikiski refinery. In one of these contracts Chevron took RIK barrels from Tesoro in exchange. Petro Star Inc. purchased North Slope RIK from 1986 through 1991 for its new refinery at North Pole. In 1992 Petro Star negotiated a 10-year contract with the state for a supply of RIK from the Kuparuk River Unit. With this contract in hand, Petro Star was able to build the state's newest refinery in Valdez. As it happened, Petro Star elected to take no oil under this contract and the contract expired automatically nine months after it had been signed.

The state also held competitive auctions of RIK oil during the early 1980s as part of a program to routinely offer RIK short-term contracts. Winners of these sales included in-state refineries but also several refineries located outside the state. Many of these buyers were also ANS producers. About 46 million barrels of Alaska North Slope RIK crude oil were sold in these auctions but the program was interrupted after the general collapse of oil prices in the mid-1980s. In January 2000, the Division of Oil and Gas published a Notice of Interest in Sale of State Royalty Oil. The response to this notice by prospective RIK purchasers prompted the division to plan for a competitive bid auction for volumes of RIK oil produced from several North Slope fields. The sale was subsequently held in August 2000 but no bids were offered.

Royalty-in-Kind Policy

The earliest RIK sales, notably Tesoro's first Cook Inlet contract, the first GVEA contract, and the Alpetco contract, generated controversy and debate in the state. Several issues arose as the RIK program evolved. Is the state better off negotiating sales one-on-one or auctioning RIK through competitive tenders? How much public input should be encouraged? Should the state subsidize the local refining industry through price breaks? What kind of oversight should be required? The debates of these questions led to the present program as set out in statutes and regulations.

When disposing royalty oil or gas, the commissioner is bound by AS 38.05.182 and AS 38.05.183. Further, the Legislature established the Alaska Royalty Oil and Gas Development Board (Royalty Board) under AS 38.06 to oversee the department's RIK program. Regulations under Title 11, Chapters 3 and 26 govern the actual disposition of royalty and the sale of RIK. (See www.legis.state.ak.us/folhome.htm for more information).

The rules that govern the sale of RIK may be reduced to a few principles:

- Any disposition of the state's royalty must be in the state's best interest. The state should sell its royalty rather than take it in-value as long as the best interests of the state are served.
- The state must receive a price for its RIK that is at least as much as it receives when the state takes its royalty in-value.
- Under certain circumstances, the state may sell its oil in a negotiated sale, but competitive sales are preferred.
- Although the price of RIK must equal or exceed the price of RIV, a review of each sale must consider economic, social, and environmental effects. In this way, benefits may be attributed to the sale of RIK to local refineries that would not be generated by sales to outside purchases.
- The public is a part of the process. Depending on the terms of the sale, the commissioner will publish best interest findings and solicit comments on the sale from the public.
- The Royalty Board must be notified of any disposition of RIK. For supply contracts of more than one year, the Royalty Board must evaluate the economic, social, and environmental effects of the sale, convene a public hearing, and recommend approval of the sale to the Legislature.
- The Legislature approves long-term contracts by enacting legislation.

Table IV.1 Recent Royalty Oil Production and Revenues

North Slope, 1996-2005

	Badami	Colville River Unit	Duck Island Unit	Kuparuk River Unit	Milne Point Unit	Northstar Unit	Prudhoe Bay Unit RIV	Prudhoe Bay Unit RIK	TOTAL Prudhoe Bay Unit	TOTAL North Slope
Production (Thousands of Barrels)										
1996	-	-	3,679.6	11,366.3	1,800.6	-	19,133.3	25,081.1	44,214.3	61,060.8
1997	-	-	3,324.4	10,978.3	2,657.0	-	18,399.6	26,139.6	44,539.2	61,498.8
1998	106.1	-	2,692.5	10,886.2	2,833.4	-	11,810.5	27,981.6	39,792.1	56,310.2
1999	179.2	1.3	2,263.3	10,822.0	2,699.2	-	15,508.5	19,070.7	34,579.2	50,544.1
2000	144.6	196.6	1,943.1	9,897.9	2,613.9	-	13,053.5	19,290.3	32,343.8	47,140.0
2001	104.0	2,785.5	1,696.9	9,076.4	2,687.9	212.9	13,643.5	15,187.0	28,830.6	45,394.3
2002	87.0	3,403.4	1,483.5	8,944.0	2,570.7	4,009.3	11,789.3	15,509.6	27,298.9	47,796.8
2003	42.1	3,777.1	1,535.1	8,916.0	2,569.5	5,236.7	5,480.7	20,638.8	26,119.5	48,196.7
2004	-	3,642.4	1,220.2	8,255.5	2,572.6	5,664.9	5,638.7	18,480.5	24,119.2	45,474.8
2005	22.2	4,262.1	1,073.5	7,636.6	2,198.4	5,065.9	5,539.2	16,551.2	22,090.4	42,349.2
Revenues (Thousands of Dollars)										
1996	-	-	\$57,988	\$188,462	\$28,404	-	\$296,101	\$436,377	\$732,478	\$1,007,332
1997	-	-	\$42,866	\$150,137	\$33,777	-	\$242,341	\$383,701	\$626,042	\$852,822
1998	-	-	\$18,147	\$82,772	\$18,608	-	\$69,281	\$227,032	\$296,313	\$415,841
1999	-	\$57	\$26,461	\$136,802	\$31,596	-	\$170,204	\$259,246	\$429,450	\$624,366
2000	\$2,612	\$4,539	\$42,350	\$220,539	\$56,730	-	\$275,928	\$461,464	\$737,392	\$1,064,162
2001	\$1,051	\$47,972	\$31,796	\$160,694	\$47,356	\$1,584	\$236,464	\$279,804	\$516,268	\$806,722
2002	\$108	\$62,818	\$27,128	\$173,379	\$48,818	\$75,797	\$201,726	\$320,378	\$522,104	\$910,151
2003	\$46	\$89,684	\$35,753	\$211,369	\$61,255	\$123,753	\$114,558	\$507,952	\$622,509	\$1,144,385
2004	-	\$122,667	\$38,674	\$266,699	\$82,258	196,698	\$172,637	\$631,864	\$804,501	\$1,511,496
2005	\$876	\$201,866	\$54,197	\$346,186	\$99,424	243,199	\$239,535	\$805,939	\$1,045,474	\$1,991,222

Revenues include principal and interest from revisions and settlements in the year received.

Cook Inlet & Statewide, 1996-2005

	Granite Point Field	South Granite Point Unit	Cannery Loop Field	North Middle Ground Shoal	Middle Ground Shoal	South Middle Ground Shoal	Trading Bay Field	Trading Bay Unit	West McArthur Unit	Redoubt Unit	Un-defined	TOTAL Cook Inlet	TOTAL STATE
Production (Thousands of Barrels)													
1996	320.3	-	0.01	50.6	216.5	32.5	73.6	762.7	162.0	-	-	1,618.2	62,679.0
1997	303.5	-	-	42.0	150.6	26.8	75.1	632.4	80.6	-	-	1,311.0	62,809.8
1998	259.8	-	-	44.7	196.0	28.8	87.1	602.4	116.2	-	-	1,335.0	57,645.2
1999	172.4	51.0	-	38.2	181.9	24.6	82.7	587.2	114.3	-	-	1,252.2	51,796.3
2000	119.2	98.5	-	43.5	170.5	22.8	79.6	602.8	111.6	-	-	1,248.6	48,388.5
2001	109.3	92.9	-	39.7	194.4	19.8	72.3	671.1	152.9	-	-	1,352.4	46,746.7
2002	105.2	86.1	-	27.1	197.1	20.8	76.0	704.3	120.3	2.3	-	1,339.2	49,136.0
2003	98.8	79.8	-	11.8	175.4	-	68.7	538.6	105.9	45.5	1.0	1,125.4	49,322.1
2004	84.0	77.1	-	-	165.3	-	58.0	424.6	83.7	28.0	-	920.5	46,395.3
2005	75.2	67.5	-	-	164.7	-	51.8	340.3	64.6	15.6	-	779.7	43,128.9
Revenues (Thousands of Dollars)													
1996	\$5,825	-	-\$6	\$1,000	\$4,266	\$613	\$1,188	\$13,330	\$2,257	-	-	\$28,474	\$1,035,805
1997	\$5,175	-	-	\$764	\$3,655	\$490	\$1,192	\$10,561	\$1,795	-	-	\$23,633	\$876,456
1998	\$2,813	-	-	\$544	\$2,244	\$346	\$853	\$5,902	\$1,107	-	-	\$13,809	\$429,650
1999	\$2,090	\$1,388	-	\$662	\$3,073	\$406	\$1,261	\$8,917	\$1,583	-	-	\$19,380	\$643,746
2000	\$4,201	\$3,840	-	\$1,491	\$4,647	\$821	\$2,632	\$17,073	\$2,790	-	-	\$37,495	\$1,101,657
2001	\$2,515	\$2,051	-	\$959	\$4,338	\$476	\$1,522	\$13,908	\$2,941	-	-	\$28,710	\$835,432
2002	\$2,337	\$1,850	-	\$619	\$5,428	\$494	\$1,609	\$14,992	\$2,680	\$54	-	\$30,062	\$940,214
2003	\$2,633	\$2,249	-	\$349	\$5,103	-	\$1,876	\$14,693	\$2,736	\$1,140	\$19	\$30,798	\$1,175,183
2004	\$3,066	\$2,764	-	-	\$11,544	-	\$2,021	\$14,732	\$2,807	\$900	-	\$37,835	\$1,549,331
2005	\$3,712	\$3,354	-	-	\$8,710	-	\$2,509	\$16,641	\$3,089	\$802	-	\$38,819	\$2,030,041

Revenues include principal and interest from revisions and settlements in the year received.

Table IV.2 Recent Royalty Oil Production by Lessee

North Slope

	Production (Thousands of Barrels)									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Amerada Hess	-	-	-	-	-	-	-	-	-	-
Amoco	360	297	237	199	119	-	-	-	-	-
Anadarko	-	-	-	0	43	613	749	831	801	938
Arco	12,394	11,120	9,522	10,729	-	-	-	-	-	-
Armstrong Resources	-	-	-	-	-	-	-	0	0	1
BPAmerica Prod Co.	-	-	-	-	-	-	-	165	-	-
BP	18,375	16,683	13,595	14,233	11,869	11,075	14,546	13,898	9,555	8,527
Chevron	116	99	64	91	77	81	117	66	60	59
CIRI	36	30	1	-	-	-	-	-	-	-
ConocoPhillips AK	-	-	-	-	-	-	11,244	9,250	9,145	7,910
DOYON	7	6	5	4	4	3	3	3	1	0
Exxon	6,364	5,571	3,563	4,815	-	-	-	-	-	-
ExxonMobil	-	-	-	-	4,596	5,287	-	-	-	-
ExxonMobil AK Prod	-	-	-	-	-	-	4,282	1,918	1,910	1,886
Forcenergy/Forest Oil	-	5	3	4	2	2	2	1	1	1
Kerr McGee	-	-	-	-	-	-	-	-	1	1
Louisiana Land & Expl.	5	-	-	-	-	-	-	-	-	-
Mapco 1978 Contract	13,037	12,652	11,148	12,442	12,718	12,522	12,167	12,583	-	-
Mapco 1997 Contract	-	466	4,451	-	-	-	-	-	-	-
Marathon	6	-	-	-	-	-	-	-	-	-
Mobil	280	237	155	195	-	-	-	-	-	-
NANA	22	18	14	12	11	8	8	8	4	0
Oxy	155	208	224	212	189	-	-	-	-	-
Petrofina	-	-	32	54	43	31	-	-	-	-
Phillips	231	190	113	151	10,201	12,482	-	-	-	-
Phillips Alpine Alaska	-	-	-	-	-	-	749	831	352	-
Pioneer	-	-	-	-	-	-	-	0	-	-
Shell	7	-	-	-	-	-	-	-	-	-
Tesoro	14,346	13,022	11,498	-	-	-	-	-	-	-
Texaco	63	52	31	41	35	38	18	-	-	-
TotalFina ELF	-	-	-	-	-	-	-	-	-	-
Union Texas Petroleum	-	-	-	-	-	-	-	-	-	-
Unocal	976	842	771	732	659	587	570	586	468	227
Williams 98 Conts	-	-	884	6,628	6,572	2,665	3,342	8,056	5,582	-
Flint Hills	-	-	-	-	-	-	-	-	17,632	22,797
XTO Energy	-	-	-	-	-	-	-	-	2	2
Undefined	-	-	-	-	-	-	-	-	1	-
North Slope TOTAL	66,779	61,499	56,312	50,544	47,140	45,394	47,797	48,197	45,516	42,349

Cook Inlet

	Production (Thousands of Barrels)									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Conoco Phillips AK	-	-	-	-	-	-	-	1	-	-
Cross Timbers/XTO	-	-	-	182	170	194	197	175	165	165
Devon	-	-	-	-	-	-	-	0	-	-
Forcenergy/Forest Oil	-	377	436	425	428	495	488	436	337	264
Marathon	386	-	-	-	-	-	-	-	-	-
Mobil/Exxon Mobil AK Prod	100	110	91	76	74	70	65	60	58	51
Shell	216	151	196	-	-	-	-	-	-	-
Stewart	162	30	-	-	-	-	-	-	-	-
Unocal	754	643	612	569	576	593	590	454	360	301
Cook Inlet TOTAL	1,618	1,311	1,335	1,252	1,249	1,352	1,339	1,125	921	780

Revenues include principal and interest from revisions and settlements in the year received.

Table IV.3 Recent Royalty Oil Revenue by Lessee

North Slope

	Revenues (Thousands of Dollars)									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Amerada Hess	-\$118	\$34	-	-	-	-	-	-	-	-
Amoco	\$5,403	\$3,674	\$1,556	\$2,404	\$2,562	-\$0	-	-	-	-
Anadarko	-	-	-	\$12	\$982	\$10,374	\$14,180	\$20,057	\$27,427	\$45,375
Arco	\$190,182	\$155,281	\$72,786	\$135,879	-	-	-	-	-	-
Armstrong Resources	-	-	-	-	-	-	-	\$4	-	\$26
BP America Prod Co.	-	-	-	-	-	-	-	\$3,934	-	-
BP	\$256,839	\$216,022	\$85,232	\$158,955	\$249,682	\$208,250	\$267,287	\$325,241	\$301,848	\$391,141
Chevron	\$1,712	\$1,274	\$368	\$1,044	\$1,608	\$1,422	\$2,070	\$1,437	\$1,745	\$2,650
CIRI	\$518	\$423	\$12	-	-	-	\$1,549	\$0	-	-
ConocoPhillips AK	-	-	-	-	-	-	\$211,239	\$214,806	\$297,445	\$353,413
DOYON	\$103	\$83	\$41	\$39	\$82	\$54	\$44	\$64	\$40	\$4
Exxon	\$90,516	\$71,707	\$19,733	\$52,342	-	-	-	-	-	-
ExxonMobil	-	-	-	-	\$98,415	\$83,945	-	-	-	-
ExxonMobil AK Prod	-	-	-	-	-	-	\$69,780	\$37,737	\$54,093	\$81,549
Forcenergy/Forest Oil	-	\$63	\$17	\$43	\$50	\$38	\$37	\$18	\$29	\$43
Kerr McGee	-	-	-	-	-	-	-	-	\$22	\$60
Louisiana Land & Expl.	\$68	-	-	-	-	-	-	-	-	-
Mapco 1978 Contract	\$207,138	\$185,000	\$90,752	\$166,427	\$304,389	\$223,123	\$247,246	\$316,072	-\$179	-
Mapco 1997 Contract	-	\$6,032	\$38,590	-\$60	\$90	\$1,075	-	-	-	-
Marathon	\$84	\$1	-	-	-	-	-	-	-	-
Mobil	\$4,035	\$3,026	\$851	\$2,166	-	-	-	-	-	-
NANA	\$310	\$255	\$122	\$120	\$220	\$163	\$131	\$221	\$121	\$12
Oxy	\$2,248	\$2,778	\$1,533	\$2,626	\$4,290	-	-	-	-	-
Petrofina	-	-	\$168	\$616	\$807	\$284	-	-	-	-
Phillips	\$3,175	\$2,377	\$752	\$1,379	\$228,306	\$211,865	-	-	-	-
Phillips Alpine Alaska	-	-	-	-	-	-	\$13,718	\$19,628	\$10,244	-
Pioneer	-	-	-	-	-	-	-	\$10	-	-
Shell	\$102	-\$5	-	-	-	-	-	-	-	-
Tesoro	\$229,239	\$192,669	\$92,288	\$191	-\$623	\$1,632	\$887	-	-	-
Texaco	\$880	\$664	\$149	\$398	\$842	\$653	\$270	-	-	-
TotalFina ELF	-	-	-	-	-	-	-	-	-	-
Union Texas Petroleum	-	-	-	\$12	-	-	-	-	-	-
Unocal	\$14,896	\$11,463	\$6,013	\$9,078	\$14,851	\$9,868	\$10,858	\$13,265	\$14,250	\$8,962
Williams 1998 Contract	-	-	\$5,402	\$92,688	\$157,608	\$53,975	\$72,245	\$196,991	\$162,716	-
Flint Hills	-	-	-	-	-	-	-	-	\$641,607	\$1,107,909
XTO Energy	-	-	-	-	-	-	-	-	\$87	\$78
Undefined	-	-	-	-	-	-	-	-	\$22	-
North Slope TOTAL	\$1,007,332	\$852,822	\$416,365	\$626,358	\$1,064,162	\$806,722	\$911,540	\$1,149,487	\$1,511,518	\$1,991,222

Cook Inlet

	Revenues (Thousands of Dollars)									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Conoco Phillips AK	-	-	-	-	-	-	-	\$13	-	-
Cross Timbers/XTO	-	-	-	\$3,073	\$4,647	\$4,338	\$5,428	\$5,103	\$6,406	\$8,710
Devon	-	-	-	-	-	-	-	\$1	-	-
Forcenergy/Forest Oil	-	\$6,166	\$4,209	\$6,296	\$10,950	\$9,831	\$10,522	\$11,521	\$11,509	\$12,867
Marathon	\$6,620	-\$7	-	-	-	-	-	-	-	-
Mobil/Exxon Mobil AK Prod	\$1,810	\$1,882	\$1,094	\$1,165	\$1,824	\$1,525	\$1,348	\$1,692	\$2,068	\$2,511
Shell	\$4,266	\$3,655	\$2,244	-	-	-	-	-	\$5,138	-
Stewart	\$2,257	\$1,104	-	-	-	-	-	-	-	-
Unocal	\$13,521	\$10,834	\$6,262	\$8,846	\$20,074	\$13,016	\$12,764	\$12,471	\$12,714	\$14,731
Cook Inlet TOTAL	\$28,474	\$23,633	\$13,809	\$19,380	\$37,495	\$28,710	\$30,062	\$30,801	\$37,835	\$38,819

Table IV.4 Recent Royalty Gas Production and Revenues

North Slope, 1996-2005

	Duck Island Unit	Kuparuk River Unit	Mine Point Unit	Prudhoe Bay Unit	TOTAL North Slope
Production (Thousand Cubic Feet)					
1996	32,446	107,807	9,466	1,467,794	1,617,513
1997	35,605	90,487	26,034	1,337,301	1,489,427
1998	36,255	79,552	27,156	1,178,761	1,321,724
1999	168,919	78,783	27,611	1,092,217	1,367,530
2000	31,785	135,929	27,436	1,061,761	1,256,911
2001	30,780	98,806	28,978	1,341,442	1,500,006
2002	32,108	83,021	29,718	3,711,292	3,856,140
2003	33,191	79,039	28,844	5,707,165	5,848,240
2004	29,424	76,647	29,639	5,260,659	5,396,369
2005	36,976	70,082	29,362	4,872,422	5,008,841
Revenues (Thousands of Dollars)					
1996	\$30	\$96	\$30	\$1,318	\$1,475
1997	\$31	\$63	\$28	\$1,155	\$1,278
1998	\$28	\$32	\$24	\$950	\$1,033
1999	\$150	\$51	\$26	\$938	\$1,165
2000	\$40	\$161	\$34	\$1,156	\$1,390
2001	\$33	\$119	\$32	\$1,114	\$1,298
2002	\$37	\$79	\$34	\$3,592	\$3,742
2003	\$45	\$91	\$40	\$6,508	\$6,685
2004	\$57	\$123	\$54	\$8,296	\$8,529
2005	\$87	\$163	\$72	\$10,801	\$11,123

Revenues include principal and interest from revisions and settlements in the year received.

Cook Inlet, 1996-2005

	Beluga River Unit	Cannery Loop Unit	South Granite Point Unit	Granite Point Field	Ivan River Unit	Kenai Unit	Lewis River Unit	Nicolai Creek	North Middle Ground Shoal Unit	Middle Ground Shoal
Production (Thousand Cubic Feet)										
1996	2,777,105	122,528	-	109,798	1,167,827	159,084	11,389	-	403	996
1997	2,628,297	186,477	-	141,763	935,228	140,655	7,057	-	17,965	-
1998	2,508,785	163,775	1,127	162,690	800,046	111,751	11,959	-	131,092	-
1999	2,704,980	167,759	28,102	67,573	631,597	111,459	29,916	-	246,030	-
2000	2,913,658	236,492	55,787	73,754	461,437	149,187	16,232	-	72,167	-
2001	3,143,083	318,033	5,491	59,671	667,307	234,786	26,852	32,297	52,739	-
2002	3,313,302	286,118	3,859	34,936	756,028	233,375	111,535	31,792	14,404	-
2003	4,236,316	390,962	2,042	10,580	432,649	323,139	71,284	8,464	11,612	-
2004	4,339,069	745,310	596	15,353	289,865	191,573	45,255	18,476	-	-
2005	4,206,401	769,835	-	5,743	213,165	170,820	38,065	5,369	-	-
Revenues (Thousands of Dollars)										
1996	\$3,943	\$206	-	\$180	\$1,995	\$250	\$20	-	\$15	\$1
1997	\$4,598	\$325	-	\$192	\$1,319	\$249	\$10	-	\$24	-
1998	\$4,265	\$232	\$1	\$221	\$1,071	\$157	\$16	-	\$160	-
1999	\$3,783	\$272	\$30	\$82	\$758	\$294	\$36	-	\$301	-
2000	\$4,657	\$483	\$58	\$215	\$5,339	\$298	\$508	-	\$808	-
2001	\$6,947	\$1,216	\$6	\$82	\$933	\$476	\$38	\$62	\$89	-
2002	\$7,586	\$748	\$4	\$50	\$1,057	\$454	\$160	\$18	\$21	-
2003	\$9,479	\$836	\$6	\$179	\$2,904	\$701	\$335	\$17	\$60	-
2004	\$11,706	\$1,984	\$1	\$44	\$814	\$460	\$126	\$38	-	-
2005	\$15,257	\$2,837	\$0	\$20	\$742	\$534	\$139	\$35	-	-

	South Middle Ground Shoal	North Cook Inlet Unit	Pretty Creek Unit	Spark Platform	Sterling Unit	North Trading Bay Unit	Stump Lake Unit	Trading Bay Field	Trading Bay Unit	Redoubt Unit	Ninlichik Unit	West McArthur River Unit	Deep Creek Unit	Three Mile Creek Unit	TOTAL Cook Inlet	TOTAL State
Production (Thousand Cubic Feet)																
1996	489	6,910,165	41,347	2,814	558	57	44,183	-	7,248,017	-	-	-	-	-	18,596,759	20,214,272
1997	-	6,490,318	53,928	62,872	81	-	30,942	19,031	6,982,452	-	-	-	-	-	17,697,067	19,186,494
1998	-	6,665,243	61,640	85,882	4	-	18,332	-	7,841,950	-	-	-	-	-	18,564,277	19,886,001
1999	-	6,372,036	3,982	28,044	15	-	11,978	-	7,333,019	-	-	-	-	-	17,736,489	19,104,019
2000	-	6,548,758	-	-	4,384	18,632	6,839	-	6,802,700	-	-	-	-	-	17,360,027	18,616,938
2001	-	6,732,002	11,471	-	8,820	-	56	-	6,509,275	-	-	-	-	-	17,801,883	19,301,889
2002	-	6,537,260	189,692	-	11,655	-	-	-	5,198,621	-	-	-	-	-	16,722,576	20,578,716
2003	-	5,773,799	60,292	-	7,195	11,954	69	-	3,867,554	12,356	289,627	-	-	-	15,509,893	21,358,133
2004	-	5,012,401	93,122	-	7,111	2,130	-	-	3,342,175	-	1,135,488	17,096	4,191	-	15,259,211	20,655,579
2005	-	5,457,333	57,945	-	60,491	50,818	-	-	3,142,669	5,299	1,231,333	37,836	54,849	48,533	15,556,504	20,565,345
Revenues (Thousands of Dollars)																
1996	\$0	\$11,616	\$69	\$4	\$2	\$0	\$32	-	\$10,287	-	-	-	-	-	\$28,618	\$30,094
1997	-	\$12,054	\$76	\$94	\$0	-	-	\$23	\$10,148	-	-	-	-	-	\$29,112	\$30,390
1998	-	\$8,874	\$82	\$118	\$8	-	\$0	-	\$10,769	-	-	-	-	-	\$25,974	\$27,007
1999	-	\$8,914	\$5	\$32	\$0	-	\$13	-	\$8,918	-	-	-	-	-	\$23,436	\$24,601
2000	-	\$14,058	\$678	-	\$7	\$26	\$1,254	\$2	\$10,743	-	-	-	-	-	\$39,134	\$40,524
2001	-	\$14,301	\$18	-	\$16	\$6	\$0	-	\$12,636	-	-	-	-	-	\$36,826	\$38,124
2002	-	\$12,562	\$276	-	\$26	-	-	-	\$9,632	-	-	-	-	-	\$32,595	\$36,337
2003	-	\$12,159	\$379	-	\$16	\$28	\$5	-	\$14,806	\$16	\$681	-	-	-	\$42,606	\$49,290
2004	-	\$11,600	\$263	-	\$19	\$5	-	-	\$9,042	-	\$3,165	\$90	\$17	-	\$39,373	\$47,903
2005	-	\$14,987	\$196	-	\$209	\$161	-	-	\$10,787	\$19	\$4,302	\$117	\$235	\$143	\$50,721	\$61,844

Revenues include principal and interest from revisions and settlements in the year received.

Table IV.5 Recent Royalty Gas Production by Lessee

North Slope

Production (Thousand Cubic Feet)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Arco	387,761	400,895	393,981	412,016	-	-	-	-	-	-
BP Am Prod. Co	-	-	-	-	-	-	-	1,852	-	-
BPXA	761,862	657,646	560,854	627,551	488,604	735,945	3,134,638	4,985,434	4,706,644	4,311,221
Chevron	17,786	16,561	5,070	-	-	1	2	2	1	-
ConocoPhillips AK	-	-	-	-	-	-	461,188	598,612	428,446	414,914
Exxon	297,260	284,187	264,969	241,821	-	-	-	-	-	-
ExxonMobil	-	-	-	-	298,217	293,045	260,247	262,275	259,052	282,640
Forest Oil	-	-	-	-	-	3	-	-	-	-
Mobil	101,256	84,433	78,519	74,713	-	-	-	-	-	-
NANA	32,446	25,930	-	-	-	-	-	-	-	-
Oxy	1,512	1,988	2,134	2,203	1,997	-	-	-	-	-
Phillips	17,630	17,786	16,197	9,226	468,093	470,986	-	-	-	-
Unocal	-	-	-	-	-	27	65	65	61	66
North Slope TOTAL	1,617,513	1,489,427	1,321,724	1,367,530	1,256,911	1,500,007	3,856,140	5,848,240	5,394,204	5,008,841

Cook Inlet

Production (Thousand Cubic Feet)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Arco	930,529	812,591	760,156	902,501	-	-	-	-	-	-
Aurora Power	-	-	-	-	-	32,296	31,792	8,464	18,476	39,342
Chevron	809,536	830,436	843,072	1,026,724	1,002,570	1,303,514	1,459,992	1,697,961	1,721,900	1,768,844
ConocoPhillips AK	-	-	-	-	-	-	1,287,322	1,949,494	1,983,167	1,808,634
Conoco Phillips Co.	-	-	-	-	-	-	-	5,773,799	5,012,401	5,457,333
Danco	85	-	-	-	-	-	-	-	-	-
Forest Oil	-	-	-	-	-	-	-	12,356	7,103	57,695
Marathon	4,475,074	3,995,784	4,062,765	4,347,695	4,358,280	4,234,315	3,356,118	3,077,325	3,550,106	3,545,572
ExxonMobil	22,815	50,177	55,372	21,509	52,341	4,118	2,894	1,532	188	-
Anchorage M, L & P	-	-	905,557	775,755	677,169	617,794	565,988	588,860	633,877	628,924
Phillips	6,910,165	6,490,318	6,665,243	6,372,036	7,782,678	7,953,777	6,537,260	-	-	-
Shell	1,038,035	985,270	-	-	-	-	-	-	-	-
Unocal	4,410,520	4,532,490	5,272,111	4,290,269	3,486,988	3,656,068	3,481,210	2,400,102	2,324,136	2,250,161
Cook Inlet TOTAL	18,596,759	17,697,067	18,564,277	17,736,489	17,360,026	17,801,882	16,722,576	15,509,893	15,251,352	15,556,504

Revenues include principal and interest from revisions and settlements in the year received.

Table IV.6 Recent Royalty Gas Revenues by Lessee

North Slope

Revenue (Thousands of Dollars)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Arco	\$327	\$325	\$297	\$344	-	-	-	-	-	-
BP Am Prod. Co	-	-	-	-	-	-	-	\$3	-	-
BPXA	\$658	\$543	\$451	\$540	\$539	\$593	\$3,054	\$5,844	\$7,527	\$9,750
Chevron	\$47	\$33	\$7	-	-	\$0	\$0	\$0	\$0	-
ConocoPhillips AK	-	-	-	-	-	-	\$446	\$538	\$643	\$865
Exxon	\$230	\$207	\$183	\$185	-	-	-	-	-	-
ExxonMobil	-	-	-	-	\$318	\$265	\$242	\$300	\$360	\$508
Forest Oil	-	-	-	-	-	-	-	-	-	-
Mobil	\$168	\$128	\$80	\$87	-	-	-	-	-	-
NANA	\$31	\$23	-	-	-	-	-	-	-	-
Oxy	\$1	\$2	\$2	\$2	\$2	-	-	-	-	-
Phillips	\$13	\$15	\$13	\$7	\$531	\$440	-	-	-	-
XTO Energy	-	-	-	-	-	-	-	-	-	-
Unocal	-	-	-	-	-	-	-	<1	<1	<1
North Slope TOTAL	\$1,475	\$1,278	\$1,033	\$1,165	\$1,390	\$1,298	\$3,742	\$6,685	\$8,529	\$11,123

Cook Inlet

Revenue (Thousands of Dollars)										
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Arco	\$1,352	\$1,411	\$1,262	\$1,170	-	-	-	-	-	-
Aurora Power	-	-	-	-	-	\$62	\$18	\$17	\$38	\$135
Chevron	\$1,074	\$1,551	\$1,560	\$1,605	\$1,698	\$3,136	\$3,740	\$4,373	\$5,020	\$6,293
ConocoPhillips AK	-	-	-	-	-	-	\$2,530	\$3,747	\$4,562	\$6,766
Conoco Phillips Co.	-	-	-	-	-	-	-	\$12,159	\$11,600	\$14,987
Danco	\$1	-	-	-	-	-	-	-	-	-
Forest Oil	-	-	-	-	-	-	-	\$16	\$90	\$179
Marathon	\$6,181	\$6,061	\$5,737	\$5,557	\$6,795	\$10,429	\$7,433	\$6,777	\$8,761	\$12,113
ExxonMobil	\$19	\$47	\$55	\$22	-\$0	\$4	\$3	\$2	\$0	-
Anchorage M, L & F	-	-	\$1,443	\$1,008	\$1,082	\$1,416	\$1,316	\$1,358	\$2,022	\$2,198
Phillips	\$11,616	\$12,054	\$8,874	\$8,914	\$15,934	\$16,697	\$12,562	-	-	-
Shell	\$1,517	\$1,636	-	-	-	-	-	-	\$103	-
Unocal	\$6,858	\$6,351	\$7,035	\$5,161	\$13,624	\$5,083	\$4,993	\$14,157	\$7,178	\$8,050
Cook Inlet TOTAL	\$28,618	\$29,112	\$25,966	\$23,436	\$39,134	\$36,826	\$32,595	\$42,606	\$39,373	\$50,721

Revenues include principal and interest from revisions and settlements in the year received.

Table IV.7 North Slope Royalty in-Kind Sales

1979-2005 (Barrels per Year)

	Alpetco	Chevron	Williams (Mapco)	Flint Hills Resources, (FHR)	Golden Valley Elec Assoc	Tesoro	Petro Star	1st Comp Sale	2nd Comp Sale	Quasi-Comp Sale	ANS TOTAL RIK	ANS TOTAL RIV	ANS TOTAL RIK + RIV
1979	-	-	446,996	-	-	-	-	-	-	-	446,996	10,584,481	11,031,477
1980	12,020,950	882,414	5,976,024	-	-	3,427,388	-	-	-	-	22,306,777	47,047,583	69,354,360
1981	26,046,878	859,928	8,808,400	-	398,051	1,661,385	-	14,046,953	-	-	51,821,595	17,666,128	69,487,724
1982	898,714	-	9,632,099	-	764,762	36,841	-	1,432,108	-	-	12,764,524	61,136,212	73,900,737
1983	-	11,674,998	11,723,755	-	1,208,406	5,793,973	-	-	-	-	30,401,132	44,599,235	75,000,367
1984	-	14,053,279	13,093,397	-	1,870,505	7,531,155	-	-	-	-	36,548,337	39,396,031	75,944,369
1985	-	7,804,392	13,260,754	-	1,928,544	17,218,912	-	-	22,511,409	1,716,754	64,440,765	16,633,246	81,074,011
1986	-	6,934,482	13,168,483	-	1,881,232	23,538,192	52,667	-	4,686,801	1,862,051	52,123,908	30,262,661	82,386,569
1987	-	9,330,563	14,094,537	-	2,013,539	18,404,806	539,575	-	-	-	44,383,020	43,899,312	88,282,333
1988	-	9,315,264	13,814,522	-	1,981,998	18,307,014	590,832	-	-	-	44,009,631	44,068,970	88,078,602
1989	-	8,611,606	12,529,175	-	1,784,782	16,387,093	607,468	-	-	-	39,920,122	40,833,647	80,753,768
1990	-	8,099,292	12,735,412	-	1,670,494	15,368,565	621,220	-	-	-	38,494,983	37,242,490	75,737,473
1991	-	6,290,546	11,183,462	-	1,670,699	15,336,301	618,247	-	-	-	35,099,255	42,537,362	77,636,617
1992	-	-	6,285,005	-	803,407	14,412,460	-	-	-	-	21,500,872	52,754,222	74,255,094
1993	-	-	9,086,280	-	-	9,812,084	-	-	-	-	18,898,367	49,269,042	68,167,409
1994	-	-	11,986,495	-	-	10,452,726	-	-	-	-	22,439,220	50,657,903	73,097,124
1995	-	-	12,680,470	-	-	13,703,946	-	-	-	-	26,384,415	43,664,553	70,048,968
1996	-	-	13,027,646	-	-	14,345,621	-	-	-	-	27,373,267	39,396,515	66,769,782
1997	-	-	13,117,502	-	-	13,021,628	-	-	-	-	26,139,130	35,359,848	61,498,979
1998	-	-	16,483,695	-	-	11,497,629	-	-	-	-	27,981,324	28,316,894	56,298,218
1999	-	-	19,070,664	-	-	-	-	-	-	-	19,070,664	31,473,201	50,543,865
2000	-	-	19,290,298	-	-	-	-	-	-	-	19,290,297	27,784,503	47,074,800
2001	-	-	15,187,012	-	-	-	-	-	-	-	15,187,012	30,208,578	45,395,590
2002	-	-	15,509,592	-	-	-	-	-	-	-	15,509,591	32,264,920	47,774,511
2003	-	-	22,749,221	-	-	-	-	-	-	-	22,749,221	27,547,697	50,296,918
2004	-	-	5,582,299	17,639,277	-	-	-	-	-	-	23,221,576	22,287,470	45,509,046
2005	-	-	-	22,796,740	-	-	-	-	-	-	22,796,740	19,552,581	42,349,321
	38,966,543	83,856,765	320,523,194	40,436,018	17,976,419	230,257,719	3,030,009	15,479,061	27,198,210	3,578,804	781,302,744	966,445,287	1,747,748,031

Figure IV.1 ANS Royalty-in-Kind Contract Volumes

North Slope and Cook Inlet

Figure IV-1 ANS Royalty - In - Kind Crude Oil Volumes By Contract, 1979-2005

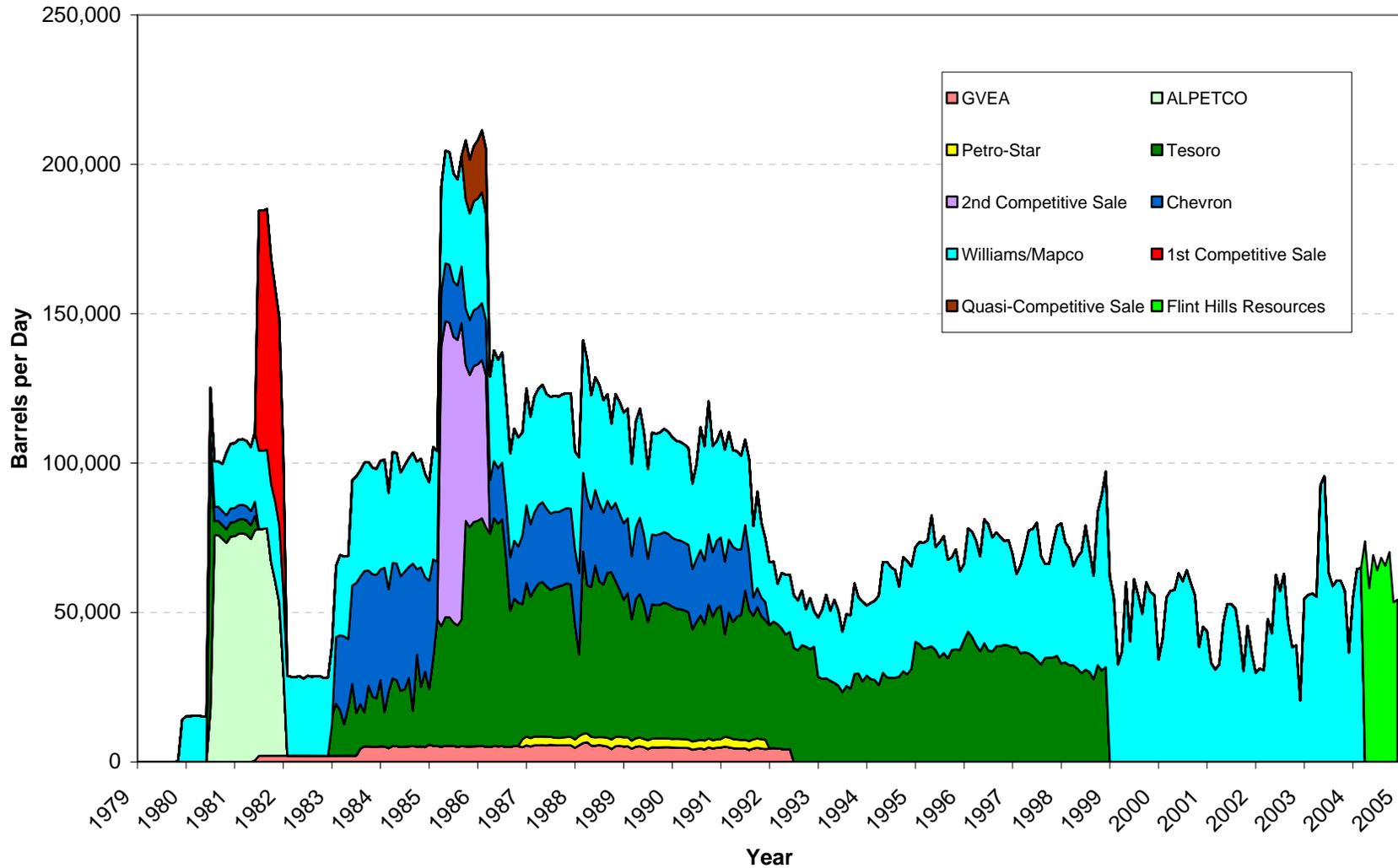


Figure IV.2 ANS Royalty-in-Kind Contract Volumes

North Slope and Cook Inlet

ANS Royalty Production and Royalty In-Kind Contract Volumes

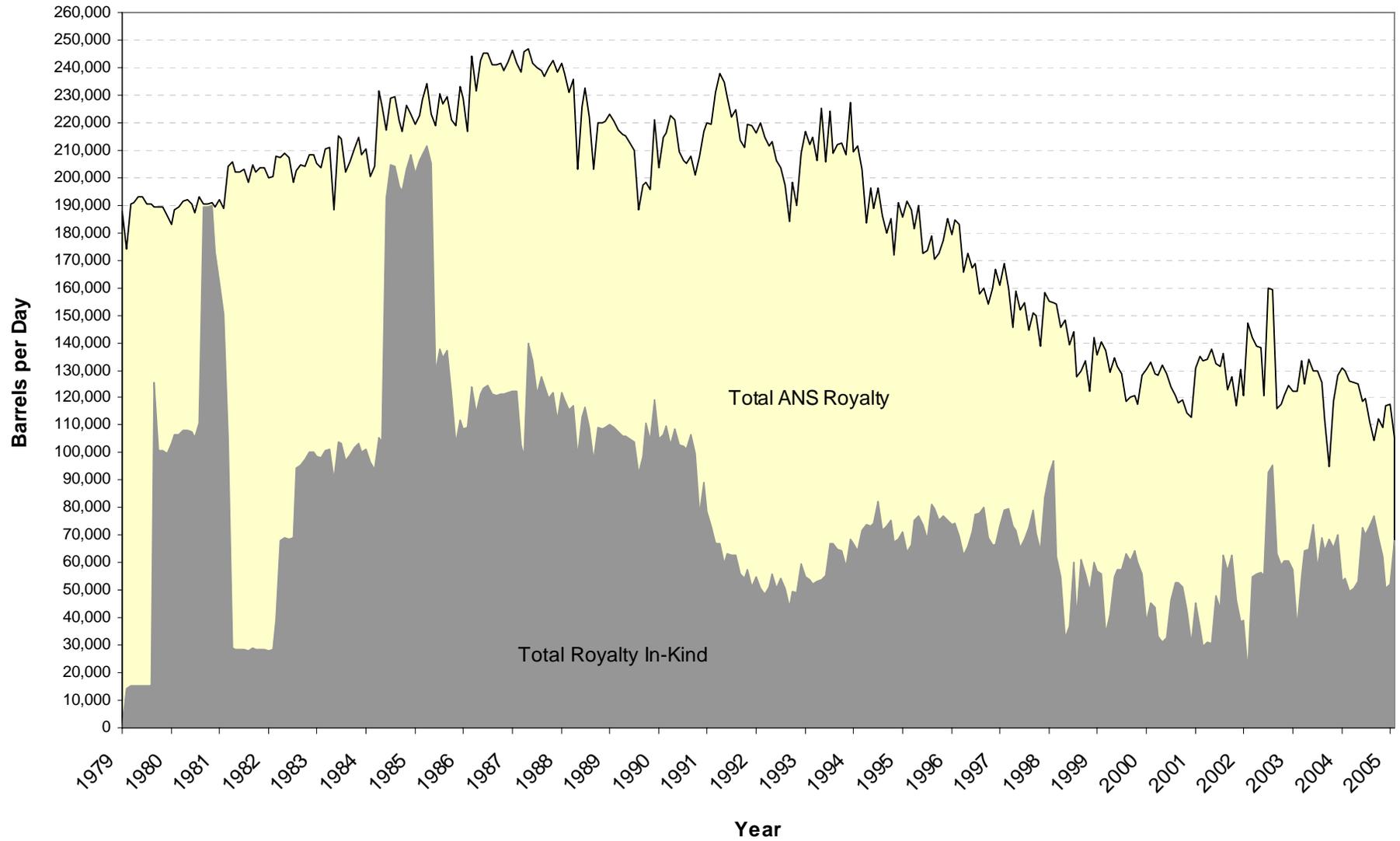


Table IV.8 Cook Inlet Royalty in-Kind Sales

1979-2005 (Barrels per Year)

	Tesoro ¹	Chinese Petroleum ²	CI TOTAL RIK	CI TOTAL RIV	CI TOTAL RIK + RIV	TOTAL RIK	TOTAL RIV	TOTAL RIK + RIV
1979	4,849,631	-	4,849,631	-	4,849,631	5,296,627	10,584,481	15,881,108
1980	4,094,229	-	4,094,229	-	4,094,229	26,401,006	47,047,583	73,448,589
1981	3,560,736	-	3,560,736	-	3,560,736	55,382,331	17,666,128	73,048,460
1982	3,065,159	-	3,065,159	-	3,065,159	15,829,683	61,136,212	76,965,896
1983	2,719,044	-	2,719,044	-	2,719,044	33,120,176	44,599,235	77,719,411
1984	2,431,987	-	2,431,987	-	2,431,987	38,980,324	39,396,031	78,376,356
1985	1,382,740	-	1,382,740	462,245	1,844,985	65,823,505	17,095,491	82,918,997
1986	-	-	-	1,922,101	1,922,101	52,123,908	32,184,762	84,308,670
1987	-	615,305	615,305	1,113,805	1,729,110	44,998,325	45,013,118	90,011,443
1988	-	799,938	799,938	917,208	1,717,146	44,809,570	44,986,178	89,795,748
1989	-	1,274,479	1,274,479	392,313	1,666,792	41,194,601	41,225,960	82,420,561
1990	-	566,825	566,825	522,456	1,089,282	39,061,808	37,764,946	76,826,755
1991	-	330,540	330,540	1,357,687	1,688,227	35,429,795	43,895,049	79,324,844
1992	-	-	-	1,661,526	1,661,526	21,500,872	54,415,749	75,916,620
1993	-	-	-	1,514,651	1,514,651	18,898,367	50,783,693	69,682,060
1994	-	-	-	1,717,758	1,717,758	22,439,220	52,375,662	74,814,882
1995	-	-	-	1,718,805	1,718,805	26,384,415	45,383,358	71,767,773
1996	-	-	-	1,618,157	1,618,157	27,373,267	41,014,672	68,387,939
1997	-	-	-	1,369,478	1,369,478	26,139,130	36,729,326	62,868,456
1998	-	-	-	1,335,030	1,335,030	27,981,324	29,651,924	57,633,248
1999	-	-	-	1,252,231	1,252,231	19,070,664	32,725,432	51,796,096
2000	-	-	-	1,248,564	1,248,564	19,290,297	29,033,067	48,323,364
2001	-	-	-	1,273,518	1,273,518	15,187,012	31,482,096	46,669,108
2002	-	-	-	1,320,281	1,320,281	15,509,591	33,585,201	49,094,792
2003	-	-	-	1,127,749	1,127,749	22,749,221	28,675,445	51,424,667
2004	-	-	-	920,431	920,431	23,221,576	23,207,900	46,429,476
2005	-	-	-	779,697	779,697	22,796,740	20,332,278	43,129,018
	22,103,526	3,587,088	25,690,614	25,545,691	51,236,305	806,993,358	991,990,978	1,798,984,336

Notes:

¹ East and west side.

Figures IV.2A & B Historical Royalty Oil Production

North Slope and Cook Inlet

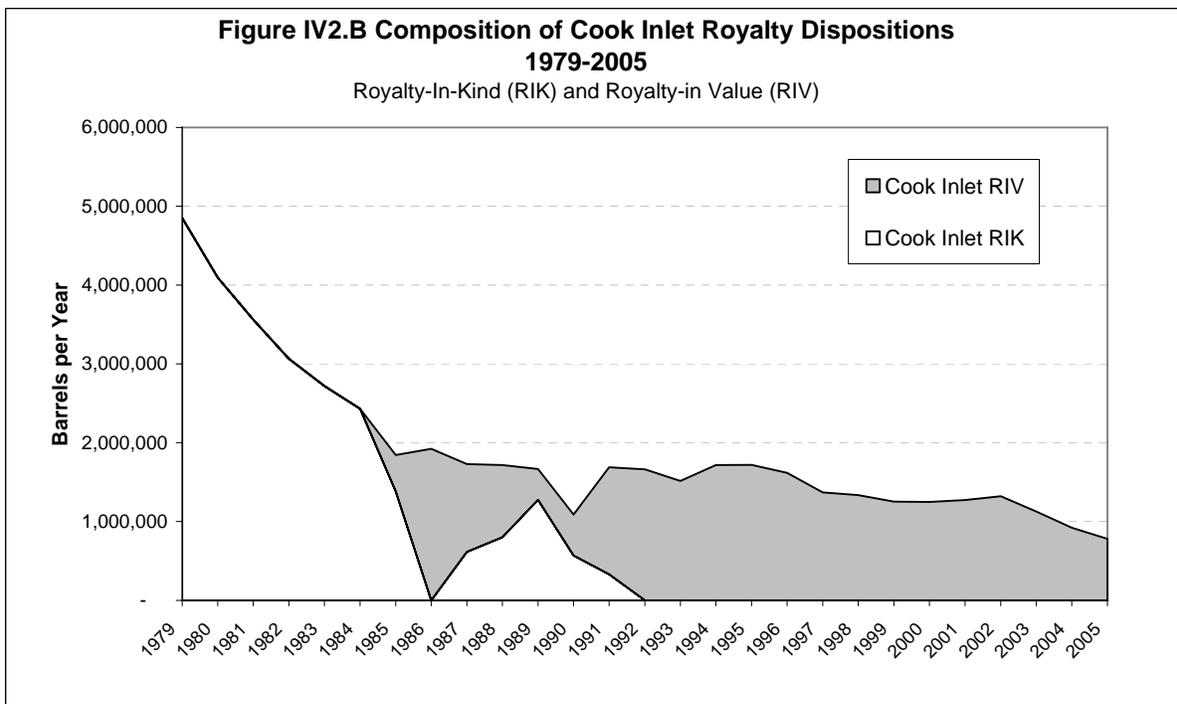
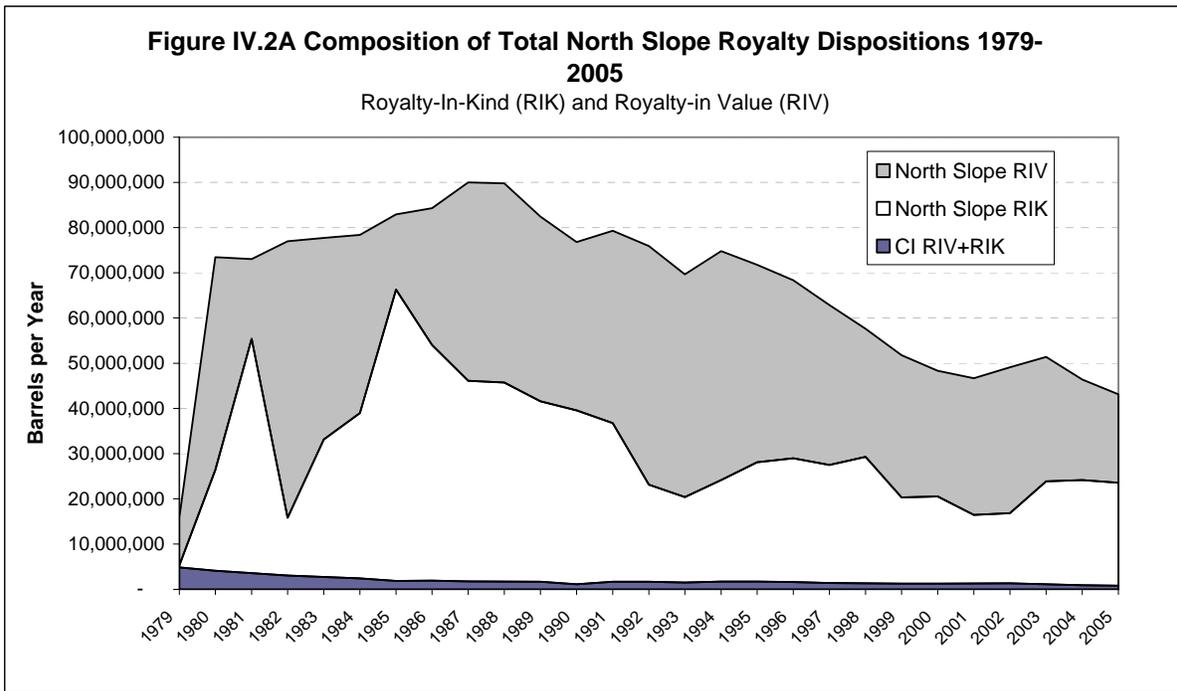


Figure IV.3 Major North Slope Royalty in-Kind Sales Contracts

1979-2005

