March 18, 2016

State moves forward with Tesoro royalty oil sale

(Anchorage, AK) – The Department of Natural Resources on Thursday published a final best interest finding and determination to sell up to 25,000 barrels per day of the state’s North Slope royalty oil in-kind to Tesoro Refining & Marketing Co. under a five-year contract.

The proposed sale of state royalty oil supports in-state refining and provides more economic value to the state than if it took those volumes of oil in value. DNR estimates that over its duration, the sale will yield between $45 million and $56 million in revenue in addition to what would have been obtained had this proposed royalty volume been taken in value.

The sale of the state’s oil will help facilitate the continued operation of the Nikiski refinery. In 2014, Tesoro employed 210 Alaskans and produced approximately 59,000 barrels per day of refined products, contributing approximately $127 million to Alaska’s economy.

The Alaska Royalty Oil and Gas Development Board on Tuesday, March 15, voted 4-0 in favor of the royalty oil sale, which will supply Tesoro’s Nikiski refinery. The board is responsible for examining proposed state oil and gas royalty sales and recommending to the Alaska Legislature that they be approved or rejected.

The Walker administration intends to introduce a bill that will seek legislative approval of the royalty oil sale. A sales contract with Tesoro will not be ratified without approval by the Alaska Legislature during the current session.

To read DNR’s best interest finding and public notice for the proposed royalty sale, go to http://dog.dnr.alaska.gov/AboutUs/PublicNotices.htm#DivisionWide.

CONTACT:  Diane Hunt, 907-269-8786, diane.hunt@alaska.gov

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