



August 31, 2018

SOLICITATION OF INTEREST IN PURCHASING ROYALTY IN KIND GAS FROM THE PRUDHOE BAY UNIT OR POINT THOMSON UNIT

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas, is soliciting interest in potential royalty in kind gas from the Prudhoe Bay Unit or the Point Thomson Unit.

DNR, on behalf of the State of Alaska, is considering whether to take its royalty on future gas production from the Prudhoe Bay Unit and Point Thomson Unit in value or in kind. If DNR takes the royalty in kind, it is currently considering a noncompetitive contract. To do so, DNR first considers whether there is a lack of competition and whether a noncompetitive process is in the State's best interest. Accordingly, DNR is exploring potential competition for its royalty in kind gas from these units. In presentations to the Alaska Oil and Gas Conservation Commissioner in 2015, the Prudhoe Bay Unit operator estimated that unit could produce approximately 22 trillion standard cubic feet of hydrocarbon gas and the Point Thomson Unit operator estimated that unit could produce approximately 6 trillion standard cubic feet. The State's royalty in kind share of production varies by lease, but is at least 12.5 percent. Additional facilities will be necessary for large-scale production from either unit. Thus, DNR does not anticipate having royalty in kind gas available to sell until 2024 or later.

DNR is soliciting interest in its future royalty in kind gas now to better understand competition for its gas. By soliciting interest, DNR is not committing to take its royalty in kind or to sell any particular volume of gas to any party at any particular time. A public process, including legislative approval, is necessary before DNR can enter into an agreement to sell royalty in kind gas.

To express interest in purchasing DNR's future royalty in kind gas, please submit a letter of interest to DNR within 30 days of the date of this notice. Letters of interest should include the potential volume of gas you may be interested in purchasing, over what time period and duration, and whether and to what extent you would sell the gas to meet in-state needs. Please also include a potential point of delivery and describe in general terms the means you would use to transport the gas. Letters of interest can be mailed to DNR's offices at 550 W. 7th Ave, Suite 1100, c/o Sean Clifton, Anchorage, AK 99501 or emailed to Sean.Clifton@alaska.gov.

The statutes and regulations governing the royalty in kind sales can be found in AS 38.05.183, AS 38.06.010–080, and 11 AAC 03.010–250.

Please contact DNR at Sean.Clifton@alaska.gov with any questions.