

STATE OF ALASKA

FRANK H. MURKOWSKI, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560
PHONE: (907) 269-8800
FAX: (907) 269-8938

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Phone: 269-8805

SALE ANNOUNCEMENT ALASKA PENINSULA AREAWIDE 2005 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.945(a)(4) that it will offer lands for competitive oil and gas leasing in Alaska Peninsula Areawide 2005 (AP 2005). AP 2005 will be held in Anchorage beginning at 8:30 a.m. on October 26, 2005, in the Wilda Marston Theater, Loussac Public Library, 3600 Denali Street.

The Alaska Peninsula Areawide sale area encompasses a gross area of approximately 5.8 million acres divided into 1,047 tracts ranging in size from 1,280 to 5,760 acres. The acreage consists of onshore and offshore acreage that stretches from the Nushagak Peninsula in the north, down the north side of the Alaska Peninsula to just north of Cold Bay. Portions of these tracts are located within the Bristol Bay Borough, Lake and Peninsula Borough, and Aleutians East Borough and activities resulting from this sale may affect the communities of Dillingham, Egegik, King Salmon, Naknek, South Naknek, Pilot Point, Port Heiden, Nelson Lagoon, and Ugashik.

DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. Only State-owned lands that are available on July 9, 2005 may be leased in AP 2005. Acreage becoming available after that date will be offered in Alaska Peninsula Areawide 2006, currently scheduled for October 2006.

The exact amount of the net leaseable acreage in each tract will not be determined until after the bids are received. At that time DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids to determine which lands are available for lease. Acreage not owned by the State, already subject to an oil and gas lease, or clouded by title claims will be excluded from the leased area.

Note: The State reserves the right to delete any additional acreage or tract(s) from the sale at any time before the issuance of the lease.

Best Interest Finding and ACMP Consistency Determination

In support of this lease sale, the Director of DO&G has prepared a written final finding and decision under AS 38.05.035(e) and (g), which sets forth the facts, policies, and applicable laws upon which he has based his determination that this sale will best serve the interests of the state. In addition, a final coastal zone consistency determination has been made that this sale is consistent with the Alaska Coastal Management Program (ACMP), Aleutians East Borough Coastal Management Program, Bristol Bay Borough Coastal Resource Service Area Management Program, Bristol Bay Coastal Management Program, and Lake and Peninsula Borough Coastal Management Programs under AS 46.40.

Appeal Procedures

A person affected by this decision who provided timely written comment or public hearing testimony on this Best Interest Finding may request reconsideration, in accordance with 11 AAC 02. Any reconsideration

request must be received by August 15, 2005 and may be mailed or delivered to Tom Irwin, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr_appeals@dnr.state.ak.us. If reconsideration is not requested by that date or if the commissioner does not order reconsideration on his own motion, this decision goes into effect as a final order and decision on August 24, 2005. Failure of the commissioner to act on a request for reconsideration by August 24, 2005 is a denial of reconsideration and is a final administrative order and decision for purposes of an appeal to Superior Court. The decision may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director, DO&G, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that the disposal best serves the interests of the State. To meet this requirement, the director has adopted environmental and social mitigation measures that will be enforced throughout the duration of the lease. These mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts of lease related activities. Enforcement will be imposed through approval of plans of operation, exploration and development and other permits. DO&G will review these plans for consistency with the ACMP the under 11 AAC 110. The lessee must obtain all the necessary permits and approvals otherwise required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process and the ACMP review process.

In addition, some proposed lease activities may be subject to local land use regulations.

Bidding Method

All tracts – cash bonus bidding with a minimum bid of five dollars (\$5) per acre.

Bids for less than the minimum bid will be rejected.

Note: Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required in the "Instructions to Bidders", unless any omission is determined by the commissioner or his designee to be immaterial or due to excusable inadvertence, and the omission is corrected within one week following receipt of a notice of deficiency.

Primary Term of Lease

All tracts – ten (10) years.

Royalty Rates

All tracts will have a fixed royalty rate of twelve and one-half percent (12.5%).

Lease Forms

Leases will be executed on Form DOG 200204 (rev. 10/2003).

Rental

Annual rental will be \$1.00 per acre for the first year, \$1.50 per acre for the second year, \$2.00 per acre for the third year, \$2.50 per acre for the fourth year, and \$3.00 per acre for the fifth and following years.

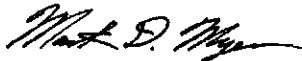
Bonding

Before beginning lease operations, an oil and gas lease bond of a minimum of \$10,000 per operation is required under 11 AAC 83.160. In the alternative, a statewide oil and gas lease bond of a minimum of \$500,000 for operations conducted on more than one lease may be filed. These bonding provisions do not affect the commissioner's authority to require additional unusual-risk bonds as may be necessary. In addition, the Alaska Oil and Gas Conservation Commission (AOGCC) requires a bond of at least \$100,000 for a single well or a bond of at least \$200,000 to cover wells statewide before drilling operations will be permitted by AOGCC (20 AAC 25.025). Additional bonding may be required under 11 AAC 82.465, 11 AAC 82.600, 11 AAC 83.390 and 11 AAC 96.060.

Sale Information

Complete details regarding AP 2005 oil and gas lease sale, including this sale announcement, regional tract map, instructions to bidders, and Final Best Interest Finding are available on the division's website: www.dog.dnr.state.ak.us. If unable to access this information, contact Anna Motschenbacher, (907) 269-8814, email at am@dnr.state.ak.us. The Final Best Interest Finding, regional tract map, and sale related documents for AP 2005 are also available in the following libraries: Bristol Bay Middle/High School, King Cove School, Cold Bay School, Sand Point School, False Pass School, Nelson Lagoon School, Akutan School, and Z. J. Loussac. These documents will also be available in the following government offices: Bristol Bay Borough, Lake and Peninsula Borough, Aleutians East Borough and Division of Oil and Gas. Copies of the regional tract maps will be available, for \$25 per set, at the division's office.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication will be made available in alternative communication formats upon request. Please contact Anna Motschenbacher, at (907) 269-8814 to make any necessary arrangements.



Mark D. Myers,
Director

AP 2005-945a4