

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: 269-8757

SALE ANNOUNCEMENT

ALASKA PENINSULA AREAWIDE 2007 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), 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 2007 (AP 2007). AP 2007 will be held in Anchorage beginning at 8:30 a.m., on February 28, 2007, 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 that are 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 the 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 were available on November 20, 2007 may be leased in AP 2007. Lands that are conveyed to the state or that become available after that date will be offered in a future Alaska Peninsula Areawide sale.

The tract map does not show detailed land ownership, land under lease or land pending lease. **Bidders are cautioned to verify state title or land available for leasing within the tracts prior to bidding.**

The exact amount of the net leaseable acreage in each tract will not be determined until a bid is received for the tract. Following the sale, DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids to determine what lands are available for lease. This process may take several months to complete. Acreage not owned by the state, already subject to an oil and gas lease or pending lease, or clouded by title claims will be excluded from the leased area.

Tract Deletions

The state reserves the right to withdraw any acreage or tract from the sale at any time before the issuance of a lease.

Best Interest Finding and ACMP Consistency Determination

AP 2007 is an exempt sale held under Alaska Statutes (AS) 38.05.180(d)(1) and 38.05.035(e)(6)(F). Under these provisions the commissioner of ADNR may annually offer oil and gas acreage that has been subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that substantial new information has become available that justifies a supplement to the finding.

In support of an Alaska Peninsula Areawide lease sale, the Director of DO&G (“Director”) issued a written final finding and decision under AS 38.05.035(e) and (g) on July 25, 2005, which set forth the facts, policies, and applicable laws upon which he based his determination that oil and gas leasing in the Alaska Peninsula area will best serve the interests of the state. In addition, a final coastal zone consistency determination was made that oil and gas lease sales are consistent with the Aleutians East, Bristol Bay and Lake and Peninsula boroughs and the Alaska Coastal Management Program (ACMP).

Decision of No Substantial New Information

On June 28, 2006, DO&G issued a Call for New Information for the Alaska Peninsula Areawide 2007 Oil and Gas Lease Sale. DO&G requested any new information subsequent to publication of the 2005 finding. Based upon the information received in response to the 2006 call for new information, DNR has issued a ***Decision of No Substantial New Information***, which is available on the Division’s website and at the locations listed under **Sale Information** below. See the decision for appeal procedures and deadlines.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director 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 operations, exploration and development, and other permits. DO&G will review these plans for consistency with the ACMP under 6 AAC 50. 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. Some proposed lease activities may also be subject to local land use regulations.

Bidding Method

For 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 Leases

All leases will have an initial primary term of **ten (10) years**.

Royalty Rates

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

Lease Forms

Leases on all tracts will be executed on Form DOG 200604.

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

Copies of the final finding are available for public review at the following locations: 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 Library. The Regional Tract Map will also be available at these locations. 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. Complete details regarding AP 2007, including the following documents, are on the DO&G's Webpage at <http://www.dog.dnr.state.ak.us/>:

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (July 2005)
- Decision of No Substantial New Information
- Regional Tract Map (November 2006)

Paper copies of these documents are available by contacting Melinda Furley by phone at (907) 269-8814; email at melinda_furley@dnr.state.ak.us or mail, DO&G, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560.

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 Dianna Lewis at (907) 269-8810, to make any necessary arrangements.



William Van Dyke
Acting Director

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