

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SARAH PALIN, GOVERNOR

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

April 3, 2009

Phone: 269-8757

SALE ANNOUNCEMENT

ALASKA PENINSULA AREAWIDE 2009 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 2009 (AP 2009). Bid opening will begin at **9:00 a.m., on May 20, 2009**, in the Dena'ina Civic Convention Center, 600 W. 7th Ave, Anchorage.

The Alaska Peninsula Areawide sale area encompasses 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 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 March 15, 2009 may be leased in AP 2009. Lands that are conveyed to the state or that become available after that date will be offered in the Alaska Peninsula Areawide 2010 sale.

The tract map does not show detailed land ownership. **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 and Deferrals

DNR has deferred all unleased acreage in Tracts 1027, 1028, 1031, 1032, 1036, 1037, 1042 and 1043 located in T. 53 S., R. 85 W. and T. 54 S., R. 85 W., Seward Meridian. These tracts will not be offered for lease in this sale, but may be included in future lease sales.

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

“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”

Best Interest Finding and Alaska Coastal Management Program (ACMP) Consistency Determination

Alaska Peninsula Areawide 2009 Oil and Gas Lease Sale 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.

DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) on July 25, 2005. The decision sets forth the facts, policies, and applicable laws upon which the director based his determination that oil and gas lease sales 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, as conditioned, were consistent with the standards of the ACMP and the enforceable policies of the Aleutians East, Bristol Bay and Lake and Peninsula boroughs coastal management programs.

Decision of No Substantial New Information for Alaska Peninsula Areawide 2009 Sale

On October 15, 2008, DO&G issued a Call for New Information for the Alaska Peninsula Areawide 2009 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 2008 call for new information, ADNR has issued a Decision of No Substantial New Information, which is available on DO&G's website and at the locations listed under Sale Information below.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director of 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 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

The bidding method for all tracts will be cash bonus bidding with a minimum bid of **five dollars (\$5) per acre**.

Bids for less than the minimum bid will be rejected.

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 1/2%)**.

Lease Forms

Leases will be executed on Competitive Oil and Gas Lease Form # DOG 200604, rev. 3/2009. The lease form was revised to correct a typographical error in paragraph 36(b), and to modify the Royalty in Kind provisions in paragraph 38(a), (c) and (e). The sample lease form is located on the DO&G web site at <http://www.dog.dnr.state.ak.us/oil/programs/leasing/leaseadmin/leaseadmin.htm>.

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 Public Library in Anchorage; Bristol Bay Borough, Lake and Peninsula Borough, Aleutians East Borough and DO&G offices. The regional tract map will also be available at these locations. Complete details regarding AP 2009, including the following documents, are on the DO&G's webpage at <http://www.dog.dnr.state.ak.us/>

Sale Announcement

Mitigation Measures (rev. January 2009)

Instructions to Bidders with estimated tract acreage figures (Attachment A)

Bid Form

Final Finding (July 2005)

Decision of No Substantial New Information (January 2009)

Regional Tract Map (March 2009)

Copies of these documents, as well as other information, are available by contacting Tim Jones, Division of Oil and Gas, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560; by calling during regular office hours at (907) 269-8814; or by email to timothy.jones@alaska.gov.

Compliance with the Americans with Disabilities Act of 1990

This publication will be made available in alternative communication formats upon request. Please contact Tim Jones at (907) 269-8814, to make any necessary arrangements.



Kevin R. Banks
Director