

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

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## NOTICE OF SALE ALASKA PENINSULA AREAWIDE 2011 COOK INLET AREAWIDE 2011 PART A AND PART B COMPETITIVE OIL AND GAS LEASE SALES

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), will offer state lands for competitive oil and gas leasing in the Alaska Peninsula Areawide 2011 (AP 2011) Competitive Oil and Gas Lease Sale and the Cook Inlet Areawide 2011 (CI 2011) Competitive Oil and Gas Lease Sale, consisting of Part A and Part B.

Bid opening will begin at 9:00 a.m. on June 22, 2011 at the Dena'ina Civic and Convention Center, located at 600 W. 7<sup>th</sup> Avenue, Anchorage.

The Alaska Peninsula Areawide lease sale area is divided into 1,047 tracts ranging in size from 1,280 to 5,760 acres. The sale area consists of state-owned uplands and tide and submerged lands located on the north side of the Alaska Peninsula, stretching from the Nushagak Peninsula to just north of Cold Bay.

The Cook Inlet Areawide lease sale area is divided into 815 tracts ranging in size from 640 to 5,760 acres. The sale area consists of state-owned uplands and tide and submerged lands located in the Matanuska and Susitna valleys, the Municipality of Anchorage, the western and southern Kenai Peninsula from Point Possession to Anchor Point, the western shore of Cook Inlet from the Beluga River to Harriet Point, and within Cook Inlet.

The CI 2011 lease sale will consist of two parts, Part A and Part B. Each part has different bidding and lease terms and conditions. Part A will offer all available tracts for leasing except tracts 784, 786, and 804. These tracts will be offered in Part B; they are located just north of Anchor Point in the Kenai Peninsula Borough.

### **Alaska Peninsula Areawide 2011**

Bidding Method: Cash bonus bidding with a minimum bid of \$5.00 per acre on all tracts  
Royalty Rate: All tracts - a fixed royalty rate of twelve and one-half percent (12.5%)  
Length of Lease: All tracts - 10 years  
Deferred Tracts: None  
Rental Rates: 1<sup>st</sup> year – \$1.00/acre; 2<sup>nd</sup> year – \$1.50/acre, 3<sup>rd</sup> year – \$2.00/acre;  
4<sup>th</sup> year - \$2.50/acre; 5<sup>th</sup> and following years – \$3.00/acre

### **Cook Inlet Areawide 2011, Part A**

Bidding Method: Cash bonus bidding with a minimum bid of \$10.00 per acre on all tracts  
Royalty Rate: All tracts - a fixed royalty rate of twelve and one-half percent (12.5%)  
Length of Lease: Tracts 11-13, 15-17, 33, 34, 36-46, 62, 63, 65-69, 72, 91-95, 97, 98, 133-137, 140, 163-171, 174, 200, 276, 279-281, 283-287, 289, 342, 345-354, 357, 360, 361, 396, 397, 399-403, 414, 415, 418, 420, 421, 425, 428, 429, 476-484, 487, 490, 735 – 10 years  
All other tracts - 7 years  
Deferred Tracts: Tracts 784, 786, and 804. These tracts will be offered in Part B of the CI 2011 lease sale.  
Rental Rates: 1<sup>st</sup> year – \$1.00/acre; 2<sup>nd</sup> year – \$1.50/acre, 3<sup>rd</sup> year – \$2.00/acre;  
4<sup>th</sup> year - \$2.50/acre; 5<sup>th</sup> and following years – \$3.00/acre

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

### **Cook Inlet Areawide 2011, Part B**

Only tracts 784, 786, and 804 will be offered in Part B of the CI 2011 lease sale. Bidders must bid on all three tracts as a bundle and the bonus bid offered must apply to each tract's acreage within the bundle.

Bidding method: Cash bonus bidding with a minimum bid of \$50.00 per acre  
Royalty rate: All tracts – a fixed royalty rate of twelve and one-half percent (12.5%)  
Length of lease: All tracts – 5 years  
Deferred tracts: None  
Rental rates: 1<sup>st</sup> year – \$50.00/acre; 2<sup>nd</sup> year – \$100.00/acre, 3<sup>rd</sup> year – \$100.00/acre; 4<sup>th</sup> year – \$400.00/acre; 5<sup>th</sup> and following years – \$500.00/acre. In any year after the work commitment is fulfilled, the lessee shall pay rentals at the rate established in AS 38.05.180(n) on the date that the work commitment is fulfilled.

Work commitment: Within six months of the date the leases are issued, the lessee is required to file a lease plan of exploration for each lease for approval by the state. The plan must describe the lessee's proposed exploration activities, including the bottom-hole locations and depths of proposed wells, and the estimated dates drilling will commence. The plan of exploration must be updated and submitted to the state for approval at least 60 days before the expiration date of the previously approved exploration plan. The lessee shall also file bi-annual reports with the state substantiating adherence to the work commitment terms.

Before the end of the fourth year following the date of lease issuance, the lessee is required to complete, suspend, or plug and abandon a well that has penetrated and evaluated the stratigraphic interval correlative to the oil reservoir discovered in the Starichkof State #1 well (API No. 50-83110002-00-00) between the depths of 6,740 and 7,005 feet measured depth, unless the state has approved allocation of production to the lease.

### **Bidder Information**

Complete details regarding these lease sales, including the sale announcements in their entirety, instructions to bidders, bid forms, and tract maps are available on the DO&G website at <http://www.dog.dnr.alaska.gov/oil/>. Printed copies of the regional tract maps can be ordered for \$25 per set at the DO&G office. These documents are also available in the following locations:

Alaska Peninsula: Bristol Bay Middle/High School, King Cove School, Cold Bay School, Sand Point School, False Pass School, Nelson Lagoon School, Akutan School, Z.J. Loussac Public Library in Anchorage; Bristol Bay Borough offices, Lake and Peninsula Borough offices, and Aleutians East Borough offices.

Cook Inlet: Public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia; the Matanuska-Susitna Planning Department offices in Palmer; the Kenai Peninsula Borough Planning Department offices in Soldotna; the Anchorage Municipal Clerk's office; and the Z.J. Loussac Public Library in Anchorage.

If unable to access this information, contact Holly Poydack at (907) 269-8757 or [holly.poydack@alaska.gov](mailto:holly.poydack@alaska.gov).

### **Decision of Substantial New Information for Alaska Peninsula and Cook Inlet Areawide 2011 Oil and Gas Lease Sales**

On November 18, 2010, the DO&G issued a Call for New Information for the Alaska Peninsula and Cook Inlet 2011 lease sales. The DO&G requested any new information subsequent to publication of the 2005 and 2009 findings. Based upon the information received in response to the 2010 Call for New Information, the DO&G issued a Decision of Substantial New Information (Decision) and Supplements to the 2005 and 2009 written findings (Supplements).

In the Decision and Supplements, information was presented about the events of the Deepwater Horizon incident in the Gulf of Mexico in 2010, the findings of the report of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling issued in 2011, and the findings of the reports related to the Alaska Risk Assessment Project, the North Slope Spills

Analysis, and Oversight Report, dated 2010. In each Supplement, the DO&G issued a lessee advisory that informs the public that the state is reviewing and evaluating this information, and new or modified mitigation measures, lessee advisories, or other statutory or regulatory requirements may be forthcoming. The February 8, 2011 Decision and Supplements are available on the DO&G website.

**Americans with Disabilities Act Compliance**

The State of Alaska, ADNR, DO&G complies with Title II of the Americans with Disabilities Act 1990. This publication will be made available in alternative communication formats upon request. Please contact Holly Poydack at (907) 269-8757 to make any necessary arrangements.



Kevin R. Banks  
Director