

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3650

PHONE: (907) 269-8800

FAX: (907) 269-8938

September 27, 2011

NOTICE OF SALE

BEAUFORT SEA AREAWIDE 2011W NORTH SLOPE AREAWIDE 2011W NORTH SLOPE FOOTHILLS AREAWIDE 2011 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 Beaufort Sea Areawide 2011W (BS 2011W), North Slope Areawide 2011W (NS 2011W), and North Slope Foothills Areawide 2011 (FH 2011) Oil and Gas Lease Sales on **December 7, 2011. Bid opening begins at 9:00 a.m.** at the Dena'ina Civic and Convention Center, 600 W. 7th Avenue, Anchorage, Alaska.

The Beaufort Sea Areawide sale area is divided into 573 tracts ranging in size from 640 to 5,760 acres. These tracts are located within the North Slope Borough and consist of state-owned tide and submerged lands in the Beaufort Sea between the Canadian border and Point Barrow. The southern fringe of the sale area includes some state-owned uplands lying between the NPR-A and the ANWR. Tracts adjacent to federal lands in the Outer Continental Shelf (OCS), the Arctic National Wildlife Refuge (ANWR), and the National Petroleum Reserve-Alaska (NPR-A) are being offered with different terms than all other tracts.

The North Slope Areawide sale area is divided into 1,225 tracts, ranging in size from 640 to 5,760 acres. For this sale, certain tracts have been subdivided into four parcels, A, B, C, and D. Tracts in this sale area are located within the North Slope Borough between the Canning River and the ANWR on the east and the Colville River and the NPR-A on the west. The southern boundary of the sale area is the Umiat Meridian baseline. The sale area is divided into three sub-regions: North, South, and Adjacent to Federal Lands (the NPR-A and the ANWR). Each sub-region is being offered with different terms.

The North Slope Foothills Areawide sale area is divided into 1,347 tracts ranging in size from 1,280 to 5,760 acres. These tracts are located between the ANWR and the NPR-A. The northern boundary of the sale area is the Umiat Meridian baseline and the southern boundary is the Gates of the Arctic National Park and Preserve.

Beaufort Sea Areawide 2011W

Bidding Method: Cash bonus bidding on all tracts
Tracts adjacent to federal land (OCS, NPR-A and ANWR) – minimum bid \$10.00/acre
All other tracts – minimum bid \$25.00/acre

Royalty Rate: Tracts adjacent to federal land (OCS, NPR-A and ANWR) – a fixed royalty rate of twelve and one-half percent (12.5%)
All other tracts – a fixed royalty rate of sixteen and two-thirds percent (16.66667%).

Length of Lease: All tracts – 10 years

Rental Rates: Tracts adjacent to federal land (OCS, NPR-A and ANWR) – Year 1, \$1.00/acre; Year 2, \$1.50/acre; Year 3, \$2.00/acre; Year 4, \$2.50/acre; Years 5+, \$3.00/acre
All other tracts – Years 1-7, \$10.00/acre; Years 8+, \$250.00/acre; except that beginning in the year after the year in which sustained production commences on this lease or the state otherwise determines in its sole discretion, upon request, that the lessee has exercised reasonable diligence in exploring and developing this lease the annual rental will be \$10.00 per acre or fraction of an acre. In evaluating a request to decrease rental based on the exercise of reasonable diligence, the state will consider the funds expended by the lessee to explore and develop this lease and the types of work completed by or on behalf of the lessee on this lease.

North Slope Areawide 2011W

Bidding Method: Cash bonus bidding on all tracts
Adjacent to Federal Land sub-region – minimum bid \$10.00/acre
North and South sub-region – minimum bid \$25.00/acre

Royalty Rate: North and Adjacent to Federal Land sub-regions – a fixed royalty rate of twelve and one-half percent (12.5%).
North sub-region – a fixed royalty rate of sixteen and two-thirds percent (16.66667%).

Length of Lease: All tracts – 10 years.

Rental Rates: Adjacent to Federal Land sub-region – Year 1, \$1.00/acre; Year 2, \$1.50/acre; Year 3, \$2.00/acre; Year 4, \$2.50/acre; Years 5+, \$3.00/acre

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

North and South sub-regions – Years 1-7, \$10.00/acre; Years 8+, \$250.00/acre; except that beginning in the year after the year in which sustained production commences on this lease or the state otherwise determines in its sole discretion, upon request, that the lessee has exercised reasonable diligence in exploring and developing this lease the annual rental will be \$10.00 per acre or fraction of an acre. In evaluating a request to decrease rental based on the exercise of reasonable diligence, the state will consider the funds expended by the lessee to explore and develop this lease and the types of work completed by or on behalf of the lessee on this lease.

North Slope Foothills Areawide 2011

Bidding Method: All tracts – cash bonus bidding with a minimum bid of \$10.00/acre
Royalty Rate: All tracts – a fixed royalty rate of twelve and one-half percent (12.5%).
Length of Lease: All tracts – 10 years
Rental Rates: All tracts – Year 1, \$1.00/acre; Year 2, \$1.50/acre; Year 3, \$2.00/acre, Year 4, \$2.50/acre; Years 5+, \$3.00/acre

Bidder Information

Complete details regarding these lease sales, including the sale announcements in their entirety, instructions to bidders, bid forms, and regional tract maps are available on the DO&G website, <http://dog.dnr.alaska.gov/>. If unable to access this information, contact Holly Poydack at (907) 269-8757 or holly.poydack@alaska.gov. These documents are also available in the following locations: Nuiqsut Public Library, North Slope Borough Library Media Center, North Slope Borough Offices, Tuzzy Consortium Library in Barrow, City of Barrow Municipal Offices, Anaktuvuk Pass Mayor's Office, Kaveolook School Library in Kaktovik, and Z. J. Loussac Public Library in Anchorage. Printed copies of the regional tract maps can be ordered for \$50 per set at the DO&G office.

Best Interest Finding

In support of a North Slope Foothills Areawide Sale, on May 26, 2011 the director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) which set forth the facts, policies, and applicable laws upon which he based his determination that the sale will best serve the interests of the state.

Best Interest Finding and Decision of Substantial New Information for the North Slope Areawide 2011 and Beaufort Sea Areawide 2011 Oil and Gas Lease Sales

In support of a North Slope Areawide Sale, the director of DO&G issued a final written finding and decision on July 15, 2008 and on November 9, 2009, issued a final written finding supporting a Beaufort Sea Areawide Sale.

The commissioner of the ADNDR issued a Decision of Substantial New Information for the NS 2011 and BS 2011 lease sales on July 14, 2011. The decision and supplements are available on the DO&G website and at the above-mentioned locations.

The ADNDR reserves the right to waive technical defects in this publication.

Americans with Disabilities Act Compliance

The State of Alaska, ADNDR, 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 Holly Poydack at (907) 269-8757 to make any necessary arrangements.



W. C. Barron,
Director