

STATE OF ALASKA

Tony Knowles, Governor

Department of Natural Resources

3601 C STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948

Division of Oil and Gas

January 20, 1999

Phone: 269-8805

SALE ANNOUNCEMENT

STATE OF ALASKA

COOK INLET AREAWIDE 1999 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources, Division of Oil and Gas (DO&G), gives formal notice under AS 38.05.945(a)(4), that it will offer lands for competitive oil and gas leasing in Cook Inlet Areawide 1999, Oil and Gas Lease Sale. The Cook Inlet Areawide 1999 covers an area of approximately 4.2 million acres, and is located entirely within the Kenai Peninsula Borough, the Matanuska-Susitna Borough and the Municipality of Anchorage.

The sale area is divided into 815 tracts ranging in gross area from 640 to 23,040 acres and contains all unleased, state owned lands in the Cook Inlet region. For the purposes of areawide oil and gas leasing, the Cook Inlet Sale area is defined as those lands bounded between the communities of Houston in the North, and Homer in the South, the Chugach and Kenai Mountains in the East and the Aleutian Range in the West. Tracts are located on the Kenai Peninsula, within the Municipality of Anchorage, Matanuska-Susitna River Valleys, on the western flank of Aleutian Range, and the tide and submerged lands within the Cook Inlet.

Activities resulting from this sale may affect the communities of Anchorage, Kenai, Palmer, Wasilla, Houston, Hope, Nikiski, Soldotna, Sterling, Ninilchik, Kasilof, Homer, Clam Gulch, Nikolaevsk, and Anchor Point as well as the native villages of Knik, Tyonek and Salamatof.

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 tract area. Only those lands free of title flaws and unencumbered will be included in any lease issued on these tracts.

Tract Map

DO&G has prepared an official tract map which displays the location of all tracts within the sale area. Only those lands, within the sale area, not covered by existing leases as of December 1, 1998 will be considered available for leasing in Cook Inlet Areawide 1999. Lands released from leased status after that date would then be offered in Cook Inlet Areawide 2000, scheduled for August 2000.

The Tract Map has been prepared to assist potential bidders in identifying unleased acreage that may be available for the Cook Inlet Areawide Lease Sale. This map is a graphical representation only, source documents remain the official record. The state makes no warranty of the accuracy of this map. Potential bidders are advised that they are solely responsible for determining the availability and leasability of any acreage prior to the submission of any bid.

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

Relocation of Offices

DO&G is scheduled to relocate its offices onto the 8th floor of the Bank of America Building, located at 550 W. 7th Ave. in Anchorage on February 8th, 1999. All mail will continue to be received at the Frontier Building location until further notice. All telephone and Fax numbers will remain the same after the relocation.

Sale Terms

Bidding Method:

The bidding method for all tracts in Cook Inlet Areawide, 1999 will be cash bonus bidding with a minimum bid of **five (\$5) per acre**.

Royalty Rate:

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

Length of Lease:

All leases will have an initial primary term of **seven (7) years**.

Lease Forms:

Leases will be executed on Form No. DO&G 9609 (COMPETITIVE OIL AND GAS LEASE), revised in June, 1997.

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.

Best Interest Finding and ACMP Consistency Determination

In support of Cook Inlet Areawide 1999, 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, Municipality of Anchorage's, Matanuska/Susitna Borough's and Kenai Peninsula Borough's Coastal Management Programs (ACMP) under AS 46.40.

Stipulations and 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 terms and conditions, which may include limits on surface entry for tracts leased Cook Inlet Areawide 1999. These lease mitigation measures will be enforced throughout the duration of the lease. Lease terms will be imposed through approval of plans of operations or exploration and development and other permits to mitigate potential adverse social and environmental effects of lease related activities.

A plan of operations is to be submitted to DO&G for its review and approval. DO&G will review this plan for consistency with Alaska Coastal Management Program (ACMP) the under 6 AAC 50. In addition to a plan of operations, some proposed lease activities may be subject to the local land use regulations of the municipality in which the lease tract is located. 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.

The lease mitigation measures developed by the state for Cook Inlet Areawide lease sales describe standards that must be met by the lessees. These standards are applicable to water quality and appropriation; gravel extraction; oil spill prevention and cleanup; construction of causeways; pipelines and other lease related structures and facilities; public access; disposal of waste; drilling muds and cuttings and produced waters; timing and routing of exploration and development activities, rehabilitation of abandoned sites and additional permits and approvals. These lease mitigation measures are necessary to

protect biological, cultural and archeological resources, and to mitigate social impacts in the sale areas.

Appeal Procedures

This final best interest finding is a final administrative decision of the department. A person who is aggrieved by this final best interest finding may request the commissioner to reconsider the decision under AS 35.05.035(i) and (j). To be eligible, an appellant must have meaningfully participated in the process to develop the finding by either submitting written comments during the prescribed comment periods, or by presenting oral testimony at a public hearing regarding the sale. A request for reconsideration must be received by John T. Shively, Commissioner, Department of Natural Resources, 3601 "C" Street, Suite 1210, Anchorage, Alaska 99503-5921, or received by fax at 907-562-4871 by 5:00 p.m. (Alaska Standard Time), **February 9, 1999**. If the commissioner fails to act on the request for reconsideration by **February 19, 1999**, the request is considered denied.

A denial of a request for reconsideration is the final administrative decision for purposes of appeal to Superior Court. A person may appeal the final best interest finding to the Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of the finding by the commissioner. An appellant must initiate an appeal to the Superior Court within 30 days from the date of denial of that reconsideration or from the date of distribution of the denial decision, in accordance with the rules of court and to the extent permitted by applicable law.

Other Terms of Sale

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Determination of public or navigable waters and the location of easements or rights-of-way to protect access to and along those waters will be addressed in the plans of operation or plans of exploration and development for each lease.

Bidding Procedures

Cook Inlet Areawide 1999 is scheduled to be held beginning at 8:30 a.m., on April 21, 1999, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

BIDS WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Daylight Savings Time) on April 19, 1999 in DO&G's NEW offices in Suite 800 of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska. Bids arriving prior to April 19, 1999 will be held by DO&G until 9:00 a.m. April 19, 1999 and will be officially received at that time. Bids that are mailed should continue to be sent to the Director, DO&G, 3601 C St., The Frontier Building, Suite 1380, Anchorage, Alaska 99503-5948. **Bids that are sent by a delivery service, however, should be sent to**

DO&G's new offices in Suite 800 of the Bank of America Building. All bids must be received by the division no later than 4:00 p.m. April 19, 1999. Information regarding the bids will be held confidential until the day of the sale.

The envelope for each bid for tracts in Cook Inlet Areawide 1999 should be marked:

"State of Alaska, Cook Inlet Areawide Competitive Lease Sale 1999; not to be opened until 8:30 a.m., April 21, 1999; Tract #_____."

No other statements, information or identification should appear on the outside of the envelope.

BIDS RECEIVED AFTER 4:00 p.m. April 19, 1999 OR ON THE DAY OF THE SALE WILL BE REJECTED.

Bids will be processed on April 21, 1999 in the following manner:

1. 8:30 a.m. - 10:00 a.m., Unadjudicated bids will be opened and read in public in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage, Alaska.
2. 10:00 a.m. - 3:30 p.m., Bids will be adjudicated in the Division of Oil and Gas offices.
3. 3:30 p.m., Preliminary Sale Results, including a list of the apparent high bidders, will be available to the public in the Director's suite of DO&G's NEW offices in Suite 800 of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska.

In order to bid at the sale, bidders **must** pre-qualify no later than 4:00 p.m., April 19, 1999. Potential bidders should consult the Instructions to Bidders or DO&G for pre-qualification requirements and procedures.

Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, 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 after receipt of a notice of deficiency.

Additional Information

Paper copies of the Final Finding for Cook Inlet Areawide are available for public review at the following locations: the public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia, the Loussac Public Library in Anchorage; the Matanuska-Susitna Borough (MSB) Planning Department offices in Palmer; the Kenai Peninsula Borough (KPB) Planning Department offices in Soldotna; and the Municipal Clerk's office of the Municipality of Anchorage (MOA).

**The Final Finding is available on the DO&G's Web page at:
<http://www.dnr.state.ak.us/oil>**

Potential bidders and interested individuals may obtain complete details regarding Cook Inlet Areawide 1999, including copies of: the Sale Announcement, the Instructions to Bidders, the Mitigation Measures, the ACMP Consistency Determination, and other information, during regular office hours, from DO&G, Frontier Building, 3601 C Street, Suite 1380; in Anchorage, or by writing DO&G at 3601 C Street, Suite 1380, Anchorage, Alaska 99503-5948, attn: Lynn Blessington. Estimated acreage figures for each tract are available in Attachment A to the Instructions to Bidders.

Obtaining Documents and Maps

DO&G has prepared numerous detailed maps to assist the public in determining the location and status of lands within the sale area.

In addition to the regional Tract Map, DO&G has also prepared an atlas of 280 individual maps covering the entire sale area throughout the Cook Inlet, Kenai Peninsula, and Matanuska and Susitna Valleys. Each map is at a scale of 1:63,360, and represents one township. The maps depict subsurface ownership – federal, state, Native, University of Alaska and Mental Health Trust. They also show state wildlife refuges (SWR), state game refuges (SGR), critical habitat areas (CHA), multiple use areas (state parks, recreation areas and special management areas), oil and gas leases (current to December 1998), private surface ownership parcel boundaries, roads and railways. Areas with no-surface-entry provisions are also shown. Not shown are the 500-foot no-surface-entry setbacks from major fish-bearing streams, and the ½-mile setbacks from major rivers.

Copies of this atlas may be viewed at the following locations:

Division of Oil and Gas; 3601 C St., Suite 1380; Anchorage
DNR Public Information Center; 3601 C St., Suite 200; Anchorage
Kenai Peninsula Borough Planning Dept.; 144 N Binkley; Soldotna
Matanuska-Susitna Borough Planning Dept.; 350 E. Dahlia Ave.; Palmer
Anchorage City Hall – Municipal Clerk's Office
Homer City Hall – City Clerk's Office

Colored copies of individual township maps may be requested directly from TimeFrame Inc; 300 W. 36th Ave.; Anchorage, AK. 99503. ATTN: Mike Bennett. Phone: 562-3822. There is a walk-in charge of \$2.24 per map. Copies ordered through the mail will cost \$2.49 per map, plus postage. When ordering, you must specify the township and range of the particular map(s) requested.

Potential bidders and interested individuals may obtain copies of the official Tract Map for Cook Inlet Areawide 1999 in the following manners:

For a free printed version:

Contact: Lynn Blessington
Division of Oil and Gas
3601 C Street, Suite 1380; Anchorage, AK. 99503-5948,
Phone: 269-8805, email at leb@dnr.state.ak.us.

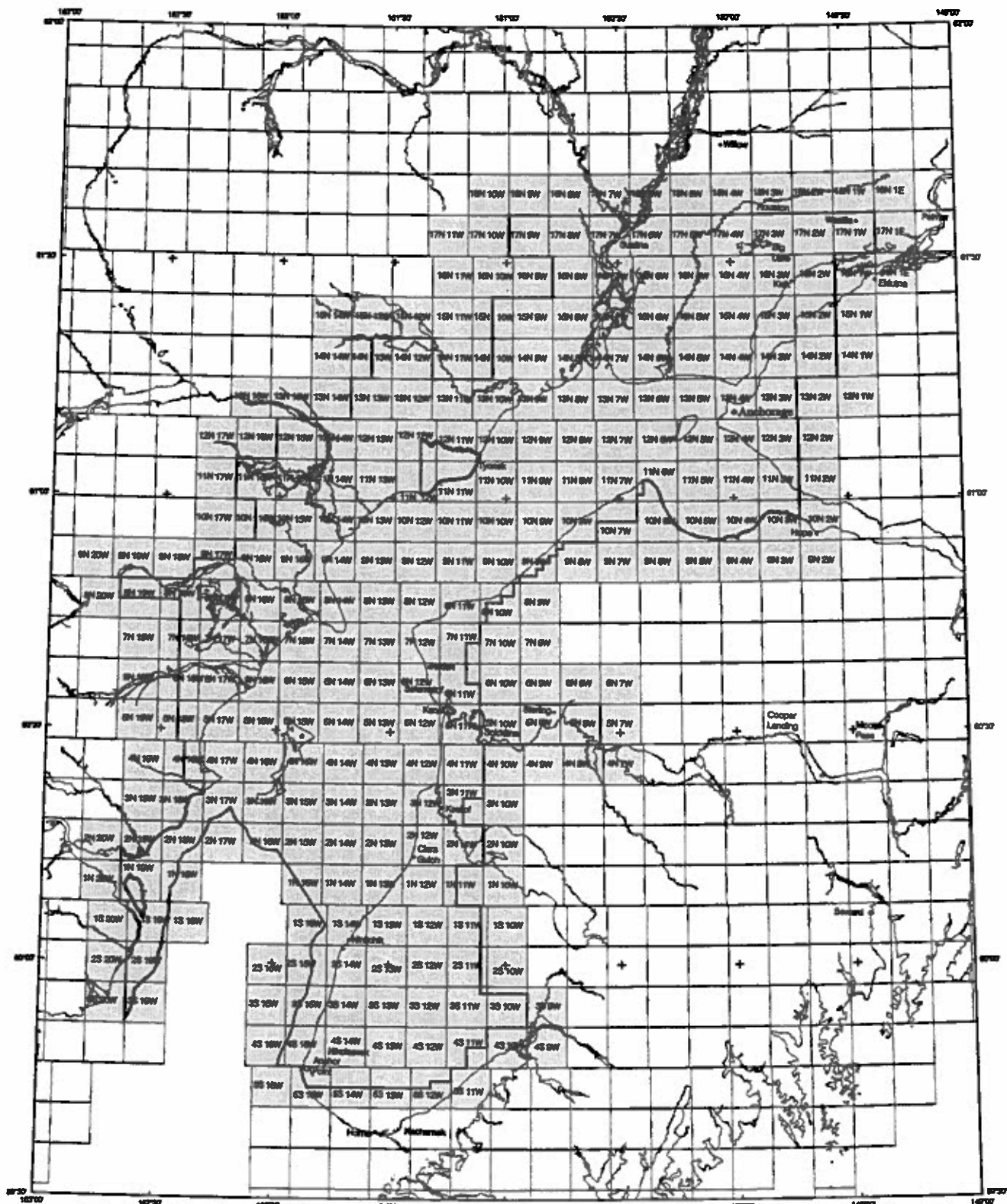
For a CD-ROM containing a copy of the Tract Map in PDF format:

Contact: State of Alaska
Support Services
Land Record Information Section
3601 C Street, Suite 916 Anchorage, AK 99503-5936
Fax: 907-563-1497, email at gispubac@dnr.state.ak.us,
Phone Joyce Zeller at: 269-8833

The CD version contains the Regional Tract Map and the Atlas of Cook Inlet Township Maps. The CD also contains a copy of the Final Finding, the "Attachment A" to the Instruction to Bidders, which shows the estimated acreage for each tract and the tract boundaries in Autocad. The cost for each CD version of the tract Map is \$50.00, plus \$3.50 for postage. Please make checks payable to: Department of Revenue, State of Alaska. DO&G will include a free copy of Adobe Reader v3.01 for PC's and Adobe Reader v3.01 for MAC's, on the CD to assist in the viewing of the PDF (plot file) format.

The State of Alaska, DNR, 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 Lynn Blessington at (907) 269-8808 to make any necessary arrangements.

CIA-99, -Announcement



- Cook Inlet Areawide Boundary
- Detailed Atlas Maps

Cook Inlet Areawide Regional Index Map

Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of -150° 45', origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.

Manuscript approved for publication December 15, 1998.

An atlas containing 8-1/2" x 11" detailed maps of each township within the shaded area may be viewed at the following locations:

- Division of Oil and Gas – 3601 C St., Suite 1380; Anchorage
- Dept. of Natural Resources Public Information Office – 3601 C St., Suite 200; Anchorage
- Kenai Peninsula Borough Planning Dept. – 144 N. Binkley; Soldotna
- Matanuska-Susitna Borough Planning Dept. – 350 E. Dahlia Ave.; Palmer
- Anchorage City Hall – Municipal Clerk's Office
- Homer City Hall – City Clerk's Office

In addition, colored copies of the individual maps may be requested directly from TimeFrame Inc.; 300 W. 36th Ave. Anchorage, AK 99503. ATTN: Mike Bennett. Telephone: (907) 562-2832.

When requesting a map, please specify the Township and Range (e.g. 4S 9W).