

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

550 West 7th Ave., SUITE 800
ANCHORAGE, ALASKA 99501

May 16, 2000

Phone: 269-8805

NOTICE OF SALE

COOK INLET AREAWIDE 2000 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources, 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 Cook Inlet Areawide 2000. The Cook Inlet Areawide 2000 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 eastern flank of Aleutian Range, and the tide and submerged lands within Cook Inlet.

Activities resulting from this sale may affect the communities of Anchorage, Kenai, Palmer, Wasilla, Houston, Hope, Nikiski, Soldotna, Sterling, Ninilchick, Kasilof, Homer, Clam Gulch, Nikolaevsk and Anchor Point, as well as the 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 Deletions and Withdrawals

The state of Alaska is currently involved in litigation with local environmental groups regarding the Cook Inlet Areawide 1999 Oil and Gas Lease Sale; Cook Inlet Keeper v Alaska, Case No. 3AN-99-3343CI. DNR has decided to withdraw 126 tracts from this sale because of a recent decision in that case by Alaska Superior Court Judge Sigurd Murphy. Judge Murphy's decision stays leasing on tracts listed by the National Marine Fisheries Service (NMFS) as important habitat for the Cook Inlet population of beluga whales. These withdrawn tracts are listed below:

Chuitna River: 494, 497, 498.

Beluga River: 485, 486, 493, 544, 547- 552, 559.

Ivan River: 541, 542.

Susitna River: 536-540, 543, 593, 594, 598.

Little Susitna River: 529, 532- 535, 585, 586, 590.

Knik Arm: 575- 577, 579, 581, 582, 616- 618, 620-623, 627, 655-658, 662.

Anchorage: 522, 524- 528, 530, 531.

Chickaloon River: 322- 327, 329, 331, 332.

Turnagain Arm: 320, 321, 328, 330, 333, 334, 391-409, 462, 464-475.

Kenai River: 126, 127, 129 thru 132, 161, 162.

Drift River: 177.

Big River: 175, 218.

Kustatan River: 211, 257.

McArthur River: 301, 302, 384.

Middle River: 373, 376, 377.

These tracts will be included in future Cook Inlet Areawide Lease Sales only upon a supplemental finding by this department that there is a plan in place to address concerns over beluga habitat, and that a sale of these tracts is in the best interest of the state.

DNR has also withdrawn Tracts 284 and 285 from leasing in Cook Inlet Areawide 2000. The state of Alaska is involved in litigation with a former overriding royalty interest holder who has appealed the contractual termination of the lease previously held over portions of these tracts to the Alaska Superior Court, Daniel Donkel v Alaska, Case No. 3AN-00-3616CI. These tracts were formerly contained in a single lease, ADL 369116. The term of this lease was extended beyond the original expiration date through inclusion in the North Middle Ground Shoal Unit. On December 31, 1999 the unit was contracted and lease was excluded from the unit. The term of this lease was further extended to March 30, 2000 and was terminated on that date under terms of the lease.

DNR has decided to withdraw these two tracts from this sale because of a recent decision in that case by Alaska Superior Court Judge Sigurd Murphy. Judge Murphy's decision stays leasing on tracts until a ruling on the case has been issued.

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

Sale Terms

The bidding method for Cook Inlet Areawide 2000 will be cash bonus bidding with a minimum bid of **five (\$5) per acre**. Leases will have an initial primary term of **seven (7) years** and will have a fixed royalty rate of **twelve and one half percent, (12.5%)**. Leases will be executed on new lease Form No. DO&G 200004 (COMPETITIVE OIL AND GAS LEASE). This new lease form has a revised condition 9; Plan of Operations. Annual rental for each lease will be at a rate of \$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.

Bidding Procedures

Cook Inlet Areawide 2000 is scheduled to be held beginning at 8:30 a.m., on August 16, 2000, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

Bids must be delivered to the Director, DO&G, 550 W. 7th Ave., in the Atwood Building, Suite 806, Anchorage, Alaska 99501. **BIDS WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Daylight Savings Time) on August 14, 2000** in DO&G's offices in Suite 804 of the Atwood Building, located at 550 W. 7th Ave., in Anchorage, Alaska. Bids arriving prior that date will be held by DO&G until 9:00 a.m. to August 14, 2000 and will be officially received at that time. The division must receive all bids no later than 4:00 p.m., on August 14, 2000. Information regarding the bids will be held confidential until the day of the sale.

In order to bid in Cook Inlet Areawide 2000, bidders **must** pre-qualify no later than 4:00 p.m., August 14, 2000. Potential bidders should consult 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.

Best Interest Finding and ACMP Consistency Determination

Cook Inlet Areawide 2000 is an exempt sale held under Alaska Statute(s) 38.05.180(d)(1), and 38.05.035(e)(6)(F). Under these provisions the commissioner may annually offer oil and gas leases of acreage that have been subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that new information has become available that justifies a supplement to the finding.

In support of the first Cook Inlet Areawide Lease Sale (a.k.a. Oil and Gas Lease Sale 85), the director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g), on January 20, 1999. This finding sets forth the facts, policies, and applicable laws upon which he has based his determination that oil and gas lease sales in the Cook Inlet of Alaska 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 Kenai Peninsula Borough, the Matanuska-Susitna Borough and the Municipality of Anchorage, and Alaska Coastal Management Programs (ACMP).

On December 29, 1999 DO&G issued a Call for Comments requesting new information regarding the proposal to re-offer available Cook Inlet acreage in the year 2000. At that time the final finding for the 1999 Cook Inlet areawide sale and the final coastal zone management consistency determination were made available for public review. DO&G requested new information subsequent

to publication of the 1999 final finding. Based on the information received as a result of this call for comments, DO&G has issued a Decision to Supplement the best interest finding with a supplement to Chapter Three of the final finding. This decision also contains the division's responses to each comment received. This decision was issued on May 10, 2000.

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 in Cook Inlet Areawide Lease Sale 2000. These lease mitigation measures will be enforced throughout the duration of the lease.

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.

The mitigation measures and lessee advisories have been revised since publication of the Final Best Interest Finding for Cook Inlet Areawide Sale 1999. The introduction to the measures clarifies that if units are formed with leases issued under different mitigation measures, the most recent measures will most likely be applied to the whole unit. Mitigation Measure 21 and Lessee Advisory 4 have been revised at the request of the Alaska Department of Fish and Game (ADF&G) to address concerns about shorebirds. 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 the ACMP 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.

Reconsiderations and Appeals

A person who is aggrieved by the decision to supplement the best interest finding, the division's responses to comments received, or the revised mitigation measures, may request the commissioner to reconsider these actions under AS 35.05.035(i) and (j). To be eligible an appellant must have meaningfully participated in the process by submitting written comments during the prescribed comment period. A request for reconsideration must be received by John T. Shively, Commissioner, Department of Natural Resources, 550 W 7th Ave, Suite 1400, Anchorage, Alaska 99501, or

received by fax at 1-907-269-8918 by 5:00 p.m. (local time), June 5, 2000. If the commissioner fails to act on the request for reconsideration by June 15, 2000, 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 to Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of this decision 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.

Regional 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 April 3, 2000 will be considered available for leasing in Cook Inlet Areawide 2000. Lands released from leased status after that date would then be offered in Cook Inlet Areawide 2001.

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.

For a free printed version:

Contact: Suzanne Gaguzis
Division of Oil and Gas
550 West 7th Avenue, Suite 800, Anchorage, AK. 99501,
Phone: 269-8803, email at msg@dnr.state.ak.us,

For a CD-ROM containing these documents 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:

- Sale Announcement w/Mitigation Measures,
- Instructions to Bidders w/ Estimated Tract acreage figures in "Attachment A" and the Bid form,
- Decision to issue a Supplement to the Final Best Interest Finding
- Final Finding and supplement
- Regional Tract map
- Atlas of township maps

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.

Paper copies of these documents as well as other information, are available by phoning during regular office hours or writing, DO&G 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501, Attn: Suzanne Gaguzis, (907) 269-8803.

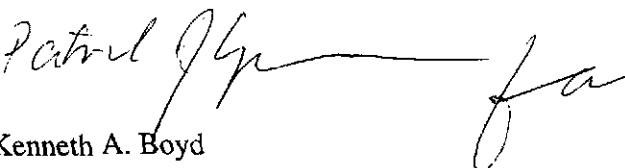
Paper copies of the Final Finding for Cook Inlet Areawide are available for public review at the following locations: the public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia, the Loussac Public Library in Anchorage; the Matanuska-Susitna Borough (MSB) Planning 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 finding is also available on the DO&G's Web page at:

<http://www.dnr.state.ak.us/oil>

Potential bidders and interested individuals may also obtain complete details regarding Cook Inlet Areawide 2000 including: copies of the Sale Announcement, the Instructions to Bidders, the Mitigation Measures, the ACMP Consistency Determination for Cook Inlet Areawide, and other information, during regular office hours, or by writing, from DO&G, the Atwood Building, 550 W. 7th Ave., Suite 800: in Anchorage, Alaska 99503-5948, Attn: Suzanne Gaguzis.

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 Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.


Kenneth A. Boyd
Director

CIA 2000-945a4