

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

550 WEST 7th AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501

February 7, 2001

Phone: 269-8804

SALE ANNOUNCEMENT

STATE OF ALASKA

COOK INLET AREAWIDE 2001 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources (DNR), 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 2001 Oil and Gas Lease Sale. The lease sale is scheduled to be held at 8:30 a.m., on May 9, 2001, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

Cook Inlet Areawide 2001 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 5,760 acres. For the purposes of areawide oil and gas leasing, the Cook Inlet Sale area is defined as those lands bounded between the cities 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.

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 villages of Knik, Tyonek and Salamatof.

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 January 15th, 2001 or those pending leases resulting from Cook Inlet Areawide 2000 tracts will be considered available for leasing in Cook Inlet Areawide 2001. Lands released from leased status after that date would then be offered in Cook Inlet Areawide 2002 scheduled for May 2002.

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.

Tract Deletions and Deferrals

The following tracts have been identified by the National Marine Fisheries Service (NMFS) as important habitat for the Cook Inlet population of beluga whales. Alaska Superior court Judge Sigurd Murphy has stayed leasing on the following tracts; they will not be included in Cook Inlet Areawide 2001.

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, 129-132, 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, 285, 465, 468, 488 and 489 from leasing in Cook Inlet Areawide 2001. These tracts cover the area previously included in oil and gas leases ADL 369100, 369101 and 369116. All tracts affected by these leases have been withdrawn due to litigation contesting actions taken by the Alaska Oil and Gas Conservation Commission (ADL's 369100 and 369101 in 3AN-97-5471/S-8690) or the Division of Oil and Gas (ADL 369116 in 3AN-00-3616CI). Leasing of these tracts is stayed pending final rulings in these cases.

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

Best Interest Finding and ACMP Consistency Determination

In support of this lease sale, the director of DO&G prepared and disseminated 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. This finding was issued on January 20, 1999. In addition, a final coastal zone consistency determination has been made that this sale is consistent with the Kenai

Peninsula Borough, the Matanuska-Susitna Borough and the Municipality of Anchorage, and the Alaska Coastal Management Programs (ACMP) under AS 46.40. Also, on May 10, 2000, as a result of a Call for New Information for Cook Inlet Areawide 2000, DO&G issued a supplement to the Final Finding.

On September 6, 2000, DO&G issued a Call for New Information Cook Inlet Areawide 2001. Based on the information received, DO&G is issuing a decision of No New Information.

Appeal Procedures

A person who is aggrieved by the decision of No New Information may request the commissioner to reconsider these actions under AS 38.05.035(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 Pat Pourchot, Commissioner, Department of Natural Resources, in Suite 1400 of the Atwood Building, located at 550 W. 7th Ave., in Anchorage, Alaska 99501, or received by fax at (907) 269-8918 by **5:00 p.m. (ADT), February 27, 2001**. If the commissioner fails to act on the request for reconsideration by **March 9, 2001**, 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 decision of No New Information to the Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of the decision of No New Information 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.

Mitigation Measures and Lessee Advisories

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 2001. These mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts of lease related activities. They will be enforced throughout the duration of the lease. 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.

The mitigation measures and lessee advisories in the Final Best Interest Finding for Cook Inlet Areawide Sale 1999 were revised for Cook Inlet Areawide 2001. 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 were revised at the request of the Alaska Department of Fish and Game (ADF&G) to address concerns about shorebirds.

Sale Terms

Bidding Method:

The bidding method for all tracts in Cook Inlet Areawide 2001 will be cash bonus bidding with a minimum bid of **five (\$5) per acre** on all tracts.

Royalty Rate/Length of Lease:

Leases issued on Cook Inlet Areawide 2001 will have a fixed royalty rate of **twelve and one half percent (12.5%)** and will have a lease term of **seven (7) years**.

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.

Sale Information

Copies of the final finding are available 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 (MSB) Planning Dept. offices in Palmer; the Kenai Peninsula Borough (KPB) Planning Dept. offices in Soldotna; and the Municipal Clerk's office of the Municipality of Anchorage (MOA).

Complete details regarding Cook Inlet Areawide 2001 including the following documents are on the DO&G's Webpage at: **<http://www.dog.dnr.state.ak.us/oil>**:

- Sale Announcement w/Mitigation Measures,
- Instructions to Bidders and Attachment A (Estimated acreage figures) and Bid form,
- Final Finding, Supplement to the Final Finding and decision of No New Information.
- Tract maps

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.

Copies of the official Tract Map for Cook Inlet Areawide 2001 may be obtained in the following manners:

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:

Contact: Carrie Marvel
Division of Support Services
Land Record Information Section
550 West 7th Avenue, Suite 706 Anchorage, AK 99501
Phone: 269-8833, email at gispubac@dnr.state.ak.us,

The CD also contains a copy of the Final Finding, Supplement to the Final Finding and the Instructions to Bidders which includes "Attachment A" (estimated acreage for each tract). 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 PCs and MACs 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 Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.



Mark D. Myers
Director

CIA 2001-945a4

Cook Inlet Areawide Oil and Gas Lease Sale

May 9, 2001

Tracts within sale area: 815

Approximate Acreage: 4.2 million

Lease Forms: DO&G 200004 (COMPETITIVE OIL AND GAS LEASE)

Bidding Method and Lease Terms:

- The bidding method for the Cook Inlet Areawide is cash bonus.
- The minimum bid is \$5.00 per acre on all tracts.
- There will be a fixed 12-1/2 percent royalty and seven-year lease term.
- There will be no exploration incentive credits for this sale.

Key Dates for Cook Inlet Sea Areawide 2001

Request for New Information	September 6, 2000
Decision of No New Information issued under AS 38.05.035(e)(6)(f)	February 7, 2001
Sale Held	May 9, 2001

This sale area consists of all unleased, state-owned lands, lying 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. The gross proposed sale area is approximately 4.2 million acres and is divided into 815 tracts. Hydrocarbon potential in the area is considered low to moderate.

The state of Alaska owns only a portion of the surface of most of the Cook Inlet Areawide 2001 area. Other surface estate owners within the general sale area boundary include Cook Inlet Region Inc. (CIRI), Kenai Peninsula Borough, the Municipality of Anchorage, and the Matanuska-Susitna Borough, the federal government, and many Native allottees and private land owners. The state of Alaska owns most of the subsurface estate beneath the sale area. Other parties with mineral interests in the sale area include CIRI, the Federal Government, the University of Alaska, and the Alaska Mental Health Trust Authority, as well as some private property owners.

Tract Deletions and Deferrals

Alaska Superior court Judge Sigurd Murphy has stayed leasing on the following tracts and they are not included in Cook Inlet Areawide 2001:

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.

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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, 129-132, 161, 162.
Drift River: 177.
Big River: 175, 218.
Kustatan River: 211, 257.
McArthur River: 301, 302, 384.
Middle River: 373, 376, 377.

The following tracts have also been withdrawn due to litigation: Tracts 284, 285, 465, 468, 488 and 489.

**SALE
ANNOUNCEMENT**

STATE OF ALASKA

**COOK INLET AREAWIDE 2001
COMPETITIVE OIL AND GAS LEASE SALE**

ERRATA

On page 2 of the announcement the sentence reading "DNR has also withdrawn Tracts 284, 285, 465, 468, 488 and 489 from leasing in Cook Inlet Areawide 2001." should read as "DNR has also withdrawn Tracts 284, 285, 485, 486, 488 and 489 from leasing in Cook Inlet Areawide 2001."

The legends on all three maps in the announcement reading "Currently Leased State Acreage (As of Aug. 16, 2000)" should read "Currently Leased State Acreage or Pending Lease (as of January 15, 2001)."

Map 3 in the announcement incorrectly reflects Tracts 540, 541, 542, 543, 592, 637 and 641 as "Currently Leased State Acreage or Pending Lease (as of January 15, 2001)." Tracts 542, 543, 592, 637 and 641 are not under lease and Tracts 540 and 541 are only partially under lease. *Please remember that the maps in the announcement are not official tract maps, but are for informational purposes only.*