

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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SALE ANNOUNCEMENT COOK INLET AREAWIDE 2009 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G) gives notice under Alaska Statute (AS) 38.05.945(a)(4) that it is offering lands for competitive oil and gas leasing in the Cook Inlet Areawide 2009 (CI 2009) lease sale. The bid application period ends May 18, 2009 at 4:00 pm. Bid opening will begin at **9:00 a.m. on May 20, 2009, at the Dena'ina Civic Convention Center, 600 W. 7th Avenue, Anchorage.** Please note the new location.

The CI 2009 sale area encompasses approximately 4 million acres 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 lying between the cities of Houston to the north, Homer to the south, the Chugach and Kenai mountain ranges to the east, the Aleutian Range to the west, and within Cook Inlet. The sale area is located entirely within the Kenai Peninsula Borough, the Matanuska-Susitna Borough, and the Municipality of Anchorage. 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 informational tract map that displays the location of all tracts within the sale area. The tract map shows generalized land ownership, existing leases, and pending leases. The land status is for informational purposes only. The tract map does not show detailed leased areas, detailed land ownership. **Bidders should independently verify state title to acreage within these tracts prior to bidding.** The DNR land records web site is <http://plats.landrecords.info/>.

Only those lands within the sale area that as of March 15, 2009 have been conveyed to the state and are not covered by existing or pending leases will be considered available for leasing. Lands that are conveyed to the state or that become available for leasing after that date will be offered in the Cook Inlet Areawide 2010 sale.

The tract acreages listed in Attachment A of the Instructions to Bidders contains estimated acreages for the entire tract. The exact amount of net leaseable acreage in any tract will not be determined unless a bid is received for that tract. Following the sale, ADNR will complete a comprehensive evaluation of the lands within the tracts that received bids to determine what lands are available for lease. This process may take several months to complete. Acreage not owned by the state, already subject to an oil and gas lease or pending lease, or clouded by title claims, will be excluded from the lease.

The division is offering an unleased 4.55-acre surveyed parcel (USS 4325) within Tract 597 under special terms. This tract is within the boundaries of the Ivan River Unit. The successful bidder will be expected to join the unit. The royalty rate is based on the net royalty value within the unit.

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

Best Interest Finding and Alaska Coastal Management Program (ACMP) Consistency Determination:

On January 20, 2009 DO&G issued a final written finding under AS 38.05.035(e) and (g) that sets forth the facts, policies, and applicable laws upon which the director based his determination that oil and gas lease sales in the Cook Inlet area will best serve the interests of the state. In addition, a final coastal consistency determination was made that Cook Inlet lease sales, as conditioned, are consistent with the standards of the ACMP and the enforceable policies of the coastal management programs of the Matanuska-Susitna Borough, Municipality of Anchorage, and Kenai Peninsula Borough.

Mitigation Measures: AS 38.05.035(e) gives the commissioner the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that this disposal best serves the interests of the state. This authority has been delegated to the director of DO&G. To meet this requirement, the director has adopted environmental and social mitigation measures that will be enforced throughout the duration of the lease. These mitigation measures, which may include limits on surface entry on the lease tracts, are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts of lease related activities. 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. Some proposed activities may also be subject to local land use regulations.

Tract Deletions and Deferrals: DNR has deferred all unleased acreage in Tracts 276, 279, 346, 347, 425, 426, 428 and 429. These tracts are located in T.9N., R.10&11W. and T.10&11N., R.10W, Seward Meridian. These tracts will not be offered for lease in this sale, but may be included in future lease sales.

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

Bid Submission: Bids must be received by DO&G no later than 4:00 p.m. May 18, 2009.

Bidding Method: The bidding method for all tracts will be cash bonus bidding with a minimum bid of **ten dollars (\$10.00) per acre**, with the exception of Tract 597. The minimum bid for **Tract 597 is one thousand dollars per acre (\$1,000.00) based on a 5 acre tract. Bids for less than the minimum bid will be rejected.**

Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required in the "Instructions to Bidders," 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 following receipt of a notice of deficiency.

Primary Term of Leases: Leases for 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 and 735 will have a primary term of **ten (10) years**.

All other tracts will have a primary term of **seven (7) years**.

Royalty Rate: All leases will have a fixed royalty rate of **twelve and one half percent (12 1/2%)**, with the exception of Tract 597.

Tract 597 will have a fixed royalty rate of **seventeen and seven hundred and seven one-thousandths percent (17.707%)**.

Lease Form: Leases will be executed on Competitive Oil and Gas Lease Form # DOG 200604, (rev. 3/2009). The lease form was revised to correct a typographical error in paragraph 36(b), and to modify the

Royalty in Kind provisions in paragraph 38(a), (c) and (e). The sample lease form is located on the DO&G web site at <http://www.dog.dnr.state.ak.us/oil/programs/leasing/leaseadmin/leaseadmin.htm>.

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 (20 AAC 25.025). Additional bonding may be required under 11 AAC 82.465, 11 AAC 82.600, 11 AAC 83.390 and 11 AAC 96.060.

Sale Information: Copies documents listed below 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 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). Complete details regarding the Cook Inlet 2009 sale, including the following documents, are on the DO&G's Webpage at <http://www.dog.dnr.state.ak.us/>:

Final Finding (January 2009)

Sale Announcement

Mitigation Measures

Instructions to Bidders with estimated tract acreages (Attachment A)

Bid Form

Regional Tract Map

Copies of these documents, as well as other information, are available by contacting Tim Jones, Division of Oil and Gas, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560; by calling during regular office hours at (907) 269-8814; or by email to timothy.jones@alaska.gov.

Compliance with the Americans with Disabilities Act of 1990: This publication will be made available in alternative communication formats upon request. Please contact Tim Jones at (907) 269-8814 to make any necessary arrangements.



Kevin R. Banks
Director