

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 1100
ANCHORAGE, ALASKA 99501-3560

PHONE: (907) 269-8800

FAX: (907) 269-8938

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Phone: (907) 375-8259

SALE ANNOUNCEMENT COOK INLET AREAWIDE 2012W 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) 38.05.180(w) that it will offer lands for competitive oil and gas leasing in the Cook Inlet Areawide 2012W lease sale (CI 2012W).

Bid opening will begin at 9:00 a.m. on May 16, 2012, at the Dena'ina Civic and Convention Center, located at 600 W. 7th Avenue, Anchorage.

The Cook Inlet Areawide lease sale area encompasses approximately 4 million acres divided into 815 tracts ranging in size from 35 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 the 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, Anchor Point, Knik, Tyonek, and Salamatof.

The DO&G has prepared tract maps that display the location of all tracts within the lease sale area. Only state-owned lands that will be available before March 1, 2012 may be leased in the CI 2012W lease sale. Lands that are conveyed to the state or that become available for leasing on or after that date may be offered in a future Cook Inlet Areawide lease sale.

The CI 2012W lease sale will consist of all tracts within the Cook Inlet Areawide sale area. The CI 2012W tract map does not show detailed land ownership or land under lease. **Bidders are cautioned to verify state title or land available for leasing within the tracts prior to bidding.**

The exact amount of the net leasable acreage in each tract will not be determined unless a bid is received for the tract. Following the sale, the DO&G 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. Estimated acreage for each tract in the CI 2012W lease sale is available in Attachment A of the Instructions to Bidders. Acreage not owned by the state, already subject to an oil and gas lease, or clouded by title claims will be excluded from the leased area.

"To responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest."

Tract Deletions and Deferrals

The ADNR has deferred all unleased acreage in Tracts 272 and 376. These tracts are located within T. 9 N., R. 9 W., and T. 10 N., R. 13 W., Seward Meridian. These tracts will not be offered for lease in this sale, but may be included in future lease sales.

Best Interest Finding

The CI 2012W lease sale is being held under 38.05.180(w). Under these provisions, the commissioner of the ADNR may offer for lease land that was subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that substantial new information has become available that justified a supplement to the finding.

The ADNR DO&G issued a written finding and decision under AS 38.05.035(e) and (g) on January 20, 2009. The decision sets forth the facts, policies, and applicable laws and regulations 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. The 2009 finding was supplemented on February 4, 2010, and February 8, 2011. In addition, a final coastal determination was made on January 12, 2009, that oil and gas lease sales, as conditioned, were consistent with the standards of the ACMP and the enforceable policies of the coastal management programs of the Municipality of Anchorage and the Matanuska-Susitna and Kenai Peninsula boroughs.

Decision of No Substantial New Information for the Cook Inlet Areawide 2012W Lease Sale

On October 12, 2011, the DO&G issued a Call for New Information for the CI 2012W lease sale. The DO&G requested any new information subsequent to publication of the 2009 finding. Based upon the information received in response to the 2011 Call for New Information, the DO&G issued a Decision of No Substantial New Information on January 6, 2012.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the director of the DO&G the authority to impose conditions or limitations in addition to those required 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 mitigation measures that will be in effect throughout the duration of the lease. These mitigation measures are necessary to protect biological, cultural, and archeological resources, and to mitigate social impacts of lease-related activities. The DO&G will condition plans of operation, exploration, and other permits based on these mitigation measures. The lessee must obtain all the necessary federal, state, and local permits and approvals required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process.

Bidding Method

The bidding method for all tracts will be cash bonus bidding with a minimum bid of **twenty-five dollars (\$25.00) per acre**. Bids for less than the minimum bid will be rejected.

Note: 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

All leases will have an initial primary term of ten (10) years.

Royalty Rates

All leases will have a fixed royalty rate of twelve and one-half percent (12.5%).

Lease Forms

Leases will be executed on Competitive Oil and Gas Lease Form # DOG 201112. A sample lease form is available on the DO&G website at

<http://dog.dnr.alaska.gov/Leasing/LeaseSales.htm>.

Rental

Annual rental will be \$10.00 per acre for the first year through the seventh year, \$250.00 per acre for the eighth year through the tenth year; 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.

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. Alternatively, 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 that entity (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

Complete details regarding the Cook Inlet Areawide 2012W lease sale, including the following documents, are on the DO&G website at <http://dog.dnr.alaska.gov/index.htm>.

- Sale Announcement
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Lease Form # DOG 201112
- Mitigation Measures
- Bid Form
- Final Finding (January 20, 2009)
- Decisions of Substantial New Information (February 4, 2010 and February 8, 2011)
- Decision of No Substantial New Information (January 6, 2012)
- Tract Map (March 1, 2012)

Paper copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$50. To order any of these documents, please contact:

Allen R. Eddy Jr.
Alaska Department of Natural Resources
550 West 7th Ave, Suite 1100
Anchorage, AK 99501-3560
Phone: (907) 375-8259

Email: allen.eddy@alaska.gov

Copies of these documents have been provided to the following locations: Public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia; the Matanuska-Susitna Planning Department offices in Palmer; the Kenai Peninsula Borough Planning Department offices in Soldotna; the Anchorage Municipal Clerk's office; and the Z.J. Loussac Public Library in Anchorage.

The State of Alaska, ADNR, Division of Oil and Gas complies with Title II of the Americans with Disabilities Act of 1990. This publication will be made available in alternative communication format upon request. Please contact Allen R. Eddy Jr. at (907) 375-8259 or allen.eddy@alaska.gov to make any necessary arrangements.

A handwritten signature in black ink, appearing to read 'W.C. Barron', with a stylized flourish at the end.

W.C. Barron
Director