



February 1, 2013

Phone: (907) 375-8259

**SALE ANNOUNCEMENT  
COOK INLET AREAWIDE 2013W  
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 will offer lands for competitive oil and gas leasing in the Cook Inlet Areawide 2013W lease sale (CI 2013W).

Bid opening will begin at 9:00 a.m. on May 8, 2013, 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 will prepare a regional tract map that displays the location of all tracts within the lease sale area. Only state-owned lands that will be available before March 15, 2013 may be leased in the CI 2013W 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 regional tract map will 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 regional tract map will not be released until after March 18, 2013.**

The exact amount of the net leasable acreage in each tract, and whether acreage is actually available to be leased, 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, if any, are available for lease. This process may take several months to complete. Estimated acreage for each tract in the CI 2013W 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, clouded by title claims, subject to pending litigation, or otherwise determined to be unavailable for leasing will not be leased.

**Tract Deletions and Deferrals**

The DO&G has deferred all tracts receiving bids from the Cook Inlet Areawide 2012W lease sale that are still being adjudicated. The DO&G has also deferred Tract 272. These tracts will not be offered for lease in this sale, but may be included in future lease sales. See the Attachment A for a complete list of deferred tracts as of February 1, 2013 at the following website <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm#cinlet>.

**The state reserves the right to delete or defer any additional acreage or tracts from the sale at any time prior to issuance of the lease.** Bids will not be accepted on deferred or deleted tracts and will not be opened. Please check the Attachment A for updates to the deferred tract list.

### **Best Interest Finding**

The CI 2013W lease sale is being held under AS 38.05.180(w). Under these provisions, land that is subject to a best interest finding issued within the previous 10 years may be offered for lease. Every year the commissioner requests substantial new information that may justify a supplement to the finding.

The 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. The Cook Inlet Areawide final best interest finding and its supplements are available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/BestInterestFindings.htm#cinlet>, at the DO&G office in Anchorage, and at the locations listed under [Sale Information](#) below.

On October 12, 2012, the DO&G issued a Call for New Information requesting substantial new information that may justify a supplement to the finding. Based upon the information received in response to the Call for New Information, the DO&G issued a Decision of No Substantial New Information on January 22, 2013.

### **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 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/PreviousSales.htm#cinlet>.

### **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 2013W 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 and January 22, 2013)
- Tract Map (**To be released after March 18, 2013**)

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:

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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, ADNDR, 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](mailto:allen.eddy@alaska.gov) to make any necessary arrangements.



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