



March 16, 2015

**SALE ANNOUNCEMENT AND INSTRUCTIONS TO BIDDERS
COOK INLET AREAWIDE 2015W
COMPETITIVE OIL AND GAS LEASE SALE**

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), announces the public bid opening for the Cook Inlet Areawide 2015W Competitive Oil and Gas Lease Sale (CI 2015W) will be held at 9:00 a.m. on Wednesday, May 6, 2015.

Areawide Lease Sale Location

The Cook Inlet Areawide lease sale encompasses about 4.2 million gross acres divided into 815 tracts currently ranging in size from 640 to 5,760 acres. These tracts are located within the Matanuska-Susitna, Anchorage, and Kenai Boroughs, and consist of state-owned uplands located in the Matanuska and Susitna river valleys generally south and west of Houston and Wasilla, the Anchorage bowl, and the western shore of Cook Inlet from Beluga River to Harriet Point. The lease sale area also includes the tide and submerged lands in upper Cook Inlet from Knik Arm and Turnagain Arm south to Anchor Point and Tuxedni Bay. The area is bounded on the east by the Chugach and Kenai mountains and on the west by the Aleutian Range.

Sale Dates

- Last day for acreage to be included in lease sale – Thursday, March 12, 2015
- Tract map available – On or after Monday, March 16, 2015
- Deadline to qualify to bid – Friday, May 1, 2015
- In-person bid submission – Monday, May 4, 2015 from 9:00 a.m. to 4:00 p.m.
- Deadline for DO&G to receive all bids – Monday, May 4, 2015 at 4:00 p.m.
- Deadline to withdraw bid – Monday, May 4, 2015 at 4:00 p.m.
- Public bid opening – Wednesday, May 6, 2015 from 9:00 a.m. until all bids are read
- In-person pick-up of bid deposits for unsuccessful bids – Friday, May 8, 2015 from 9:00 a.m. until 3:00 p.m.
- Return of bid deposits for unsuccessful bids – Friday, May 8, 2015 at 3:00 p.m.

Sale Locations and Addresses

- Address for mailing bids or sending by delivery service – DNR Division of Oil & Gas, Attn: Lease Sales, 550 W 7th Avenue, Suite 1100, Anchorage, Alaska 99501-3560
- In-person bid submission – Atwood Building, 550 W 7th Avenue, Suite 800, Anchorage, Alaska
- Public bid opening – Dena'ina Civic and Convention Center, 600 West 7th Avenue, Anchorage, Alaska
- In-person pick-up of bid deposits – Atwood Building, 550 W 7th Avenue, Suite 1100, Anchorage, Alaska

Sale Documents

The following documents are available at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

- Notice of Sale
- Sale Announcement and Instructions to Bidders
- Attachment A with estimated tract acreage figures and deferred tracts
- Lease Forms
- Mitigation Measures
- Bid Form For Areawide Oil & Gas Lease Sale (Revised 3/2015)
- Tract Map (Available on or after Monday, March 16, 2015)

Printed copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$50.00. To order any of these documents, please contact:

Leasing Section
Alaska Department of Natural Resources
Division of Oil and Gas
550 West 7th Avenue, Suite 1100
Anchorage, AK 99501-3563
Phone: (907) 269-8800
Email: dog.leasing@alaska.gov

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

Subscribe to future email announcements from the Leasing Section at <http://list.state.ak.us/soalists/DOG.Leaning/jl.htm>.

Acreege Offered in Areawide Lease Sales

DO&G may accept bids on all lease sale tracts, except tracts deferred or deleted from sale. An Areawide lease sale tract map displaying the location of all lease sale tracts within the Areawide sale will be released according to the **Sale Dates** section of this document. The lease sale tract map will also show general land ownership and lease status.

Only state-owned acreage available for leasing before the close of business on the date specified in the **Sale Dates** section of this document may be leased as a result of this sale. Acreage that becomes available for leasing after that date may be offered in a future lease sale. See the **Lease Adjudication** section of this document for more information on how and when DO&G determines which acreage is available for leasing.

A bid on a lease sale tract that DO&G determines has no lands available for leasing will not have priority over later bids when lands become available for leasing, nor will the bid be valid for future lease sales.

Estimated Acreage for each lease sale tract is listed in Attachment A and is used to calculate Total Estimated Bonus Bids and Minimum Bid Deposits. The Estimated Acreage may be more than the actual acreage that will be awarded after lease adjudication. A 100 acre minimum has been established for the purposes of calculating Total Estimated Bonus Bids and Minimum Bid Deposits. Tracts with a 100 acre minimum estimated acreage may have between 0 and 100 acres available for lease, with a final determination made during lease adjudication.

Lease Adjudication

State-owned land available for leasing in an individual lease sale tract will not be determined unless a bid is received for the tract. Following the sale, DO&G will adjudicate the lease for award. Lease adjudication includes a comprehensive evaluation of land status, ownership and survey information, and a final determination on what lands, if any, are available for oil and gas, or gas-only, leasing. Lease adjudication may take several months to complete.

Lands within a tract will not be leased if not state-owned, subject to an existing oil and gas lease, clouded by title claims, within tracts deferred or deleted from sale, subject to pending applications or administrative appeals or litigation, or otherwise determined by DO&G to be unavailable for leasing.

Bidders are cautioned to verify land status, ownership, and acreage within lease sale tracts prior to bidding.

DNR provides online tools for researching land title, lease status, leasing history, and recorded documents within a lease sale tract (LST) or meridian, township, range, and section (MTRS). The US Department of Interior Bureau of Land Management (BLM) provides tools for researching land title and federal land surveys by MTRS. In addition, DO&G physical case files for oil and gas leases may be reviewed on request. Call (907)269-8757 or email dog.leasing@alaska.gov for more information.

These online research tools are available at:

- DNR Land Administration System (LAS) – <http://dnr.alaska.gov/projects/las/>
- DNR Land Records – <http://dnr.alaska.gov/landrecords/>
- DNR Alaska Mapper – <http://dnr.alaska.gov/MapAK/>
- DNR Recorder's Office – <http://dnr.alaska.gov/ssd/recoff/>
- BLM Spatial Data Management System (SDMS) – <http://sdms.ak.blm.gov/>

Tracts Deferred or Deleted from Sale

Deferred lease sale tracts will not be offered for lease in this sale, but may be included in future lease sales. DO&G will annually review the available information for the tract to determine whether or not to offer the tract in future lease sales.

DO&G reserves the right to delete or defer any additional acreage or tracts from the sale at any time prior to issuance of the lease.

Deferred or deleted lease sale tracts are listed on Attachment A at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

Bids on lease sale tracts that are deferred or deleted prior to bid submission will not be accepted, opened, or read at the sale.

Bids on lease sale tracts that are deferred or deleted after bid opening will be returned along with the bid deposit. The bid will not have priority over later bids when the lease sale tract is returned to sale, nor will the returned bid be valid for future lease sales.

Sale Terms and Conditions

The bidding method, minimum bid, and terms and conditions are shown in the following table. Bids for less than the minimum per-acre bid will be rejected. Leases will be executed on the oil and gas lease form specified below. Sample lease forms are available at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

| Lease Sale Tracts | Bid Variable | Minimum Bid | Royalty Rate | Primary Lease Term | Annual Rental Rate | Lease Form |
|--|--------------|------------------|--------------|--------------------|--|------------|
| All CI 2015W Tracts | Cash Bonus | \$25.00 per acre | 12.5% Fixed | 10 Years | Years 1 – 7: \$10.00 per acre Years 8+: \$250.00/acre | DOG201503W |
| Annual rental will be as listed above; except that beginning in the year after the year in which sustained production commences on the lease or the state otherwise determines in its sole discretion, upon request, that the lessee has exercised reasonable diligence in exploring and developing the 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 the lease and the types of work completed by or on behalf of the lessee on this lease. | | | | | | |

New Lease Provision

The lease form specified above includes the following lease provision:

Paragraph 21(b) The State may require such financial assurances as the Commissioner determines necessary to ensure the Lessee's ability to meet its obligations under this paragraph. If at any time the Commissioner determines that existing financial assurances are insufficient to satisfactorily guarantee the performance of all the Lessee's obligations under this paragraph, the Commissioner may require the delivery of such substitute or supplemental financial assurances as the Commissioner determines necessary.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director 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 mitigation measures that will be in effect throughout the duration of the lease.

The mitigation measures for this areawide sale are available at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

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 82.615, 11 AAC 83.390 and 11 AAC 96.060.

Best Interest Finding to Offer Oil and Gas Leases in Areawide Sales

The CI 2015W lease sale is being held under Alaska Statutes AS 38.05.035(e)(6)(F) and AS 38.05.180. 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.

DO&G issued a written finding and decision authorizing the Areawide lease sale 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 Areawide will best serve the interests of the state. The 2009 finding was supplemented on February 4, 2010 and February 8, 2011. DO&G issued a Call for New Information requesting substantial new information that may justify a supplement to the finding on October 9, 2014. Based upon the information received in response to the Call for New Information, DO&G issued a Decision of No Substantial New Information on January 20, 2015.

These Cook Inlet Areawide documents are available at <http://dog.dnr.alaska.gov/Leasing/BestInterestFindings.htm>:

- Final finding of the Director (January 20, 2009)
- Decisions of Substantial New Information (February 4, 2010 and February 8, 2011)
- Decision of No Substantial New Information (January 6, 2012, January 22, 2013, January 17, 2014, January 20, 2015)

Qualification of Bidders

Bidders must qualify with DO&G in accordance with 11 AAC 82.200 and 11 ACC 82.205 before the deadline specified in the **Sale Dates** section of this document. Corporations, partnerships, joint ventures, limited liability companies, and other unincorporated associations must also be qualified with the Alaska Department of Commerce, Community and Economic Development (DCC&ED) to do business in Alaska prior to the qualification deadline.

Information on qualifying to bid in a lease sale is available at <http://dog.dnr.alaska.gov/Leasing/LeaseFAQs.htm>. For additional information on qualifying, please call the Leasing Section at (907) 269-8800, or email dog.leasing@alaska.gov.

Information on how to qualify with DCC&ED and obtain copies of certificates is available from DCC&ED at <http://commerce.alaska.gov/dnn/cbpl/Corporations.aspx>. For additional information on these requirements, please call the Corporations Section at (907) 465 2530 or email corporations@alaska.gov.

Qualification information and supporting documents must be on file with DO&G no later than specified in the Sale Dates section of this document. It is the bidder's responsibility to ensure that all qualification requirements are met. Failure to provide DO&G with qualification information or documents may result in rejection of bids.

Preparing Bids for Submission

Bidders with questions about submitting bids are encouraged to contact DO&G at the information provided under the **Sale Documents** section of this document. Bids accompanied by incomplete bid forms may 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 bid form, 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.

1. *Bid form.* Bids for this lease sale must be submitted on the form Bid Form For Areawide Oil & Gas Lease Sale specified in the **Sale Documents** section of this document, or an exact copy of that form. The bid form can be downloaded at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

2. *Competitive areawide oil & gas lease sale name.* Include the Areawide lease sale area name with year.
3. *Lease Sale Tract (LST).* Specify the Lease Sale Tract you are bidding on as listed on Attachment A. There should be only one lease sale tract per bid form. Bids for less than a full tract will be rejected.

Parcel designations are specific to select North Slope Areawide competitive oil and gas lease sale tracts with parcel designations A through D and may be omitted for other lease sales.

4. *Lease interest percentages.* Joint bids with fractional lease interests must include lease interest percentages expressed in decimals of no more than five digits without rounding. The sum of all ownerships for each bid must equal 100.00000 percent. The lease interest percentage for a sole bidder is 100.00000.
5. *Qualification file number.* The qualification file number is the number assigned to a corporation, partnership, or joint venture when initial qualification requirements are met. Individuals are not assigned qualification numbers and may leave this line blank. Qualification file numbers are available on the Business Qualifications report at <http://dog.dnr.alaska.gov/Leasing/LeaseReports.htm>.
6. *Bidder name.* Include the name of the bidding individual or bidding entity name. If more than one person or entity is submitting a joint bid, all bidders must be listed and sign the bid form. Under 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person or entity that has any working interest in the bid or who will receive any working interest in any lease issued in this sale by virtue of any agreement or understanding, oral or written.
7. *Individual bidder or bidder agent authorized signature.* The individual bidder or authorized bidder agent signs the top line. Include the name and title of the bidder agent authorized to sign for an entity, if applicable, on the line immediately below.
8. *Date.* Use the date the individual bidder or bidder agent signs the bid form.
9. *Estimated Acreage.* Use the estimated acreage for the Lease Sale Tract listed in Attachment A. Bids for less than the number of acres specified in Attachment A will be rejected.
10. *Total Bid Per Acre.* Enter your bid per acre. Bids for less than the minimum per-acre bid specified in Attachment A will be rejected. The Total Bid Per Acre controls in case of discrepancy.
11. *Total Estimated Bonus Bid.* Bidders are required to use the Estimated Acreage for the specified Lease Sale Tract listed on Attachment A for the purposes of calculating Total Estimated Bonus Bid. A sample calculation for Total Estimated Bonus Bid is below.
12. *Minimum Bid Deposit.* Each bid must include a bid deposit equal to or greater than the Minimum Bid Deposit, or **20% of the Total Estimated Bonus Bid being offered for the tract.** The bid deposit must be cash, money order, cashier's check or certified check in US dollars. Personal checks will not be accepted. Checks must be drawn on any solvent bank in the United States. Make checks and money orders payable to the "Department of Natural Resources, State of Alaska."

Minimum Bid Deposit calculations that result in sums containing fractions of less than one dollar should be rounded up to the nearest whole dollar in order to ensure that a minimum of 20% of the Total Estimated Bonus Bid is tendered.

Sample calculations for Total Estimated Bonus Bid and Minimum Bid Deposit are below:

| Estimated Acreage | | Total Bid Per Acre | | Total Estimated Bonus Bid | |
|----------------------------------|------------------|--------------------|-------------|----------------------------|-------------------|
| <u>1,920</u> | Acres | X | \$ | <u>25.27</u> | /Acre = \$ |
| | | | | | <u>48,518.40</u> |
| Total Estimated Bonus Bid | | 20% | | Minimum Bid Deposit | |
| \$ | <u>48,518.40</u> | X | 0.20 | = \$ | <u>9,703.68</u> |

The recommended Minimum Bid Deposit amount after rounding up to the nearest whole dollar is \$9,704.00.

13. *Person responsible for receiving correspondence.* Include the contact information for the person responsible for receiving correspondence regarding the bid. The physical address must be a location acceptable to a private delivery or courier service, e.g. FedEx.
14. *Instructions for return of bid deposit.* Include instructions for the return of the bid deposit in the event that the bid is unsuccessful. You may designate individuals that have the authority to pick up the bid after the bid opening as described in these instructions and/or the address to which it should be returned if it is not picked up by the time and date and location specified in the **Sale Dates** and **Sale Locations and Addresses** sections of this document.
15. *Sealed bids.* Each bid with bid deposit must be submitted in a sealed envelope. Each envelope must contain only one bid and one bid deposit for one lease sale tract. The envelope must be marked with sale information and lease sale tract information as shown in the sample markings below. No other markings should appear on the outside of the bid envelope. The information on the bid form controls in case of discrepancy. **Sample markings for the sealed bid envelope are below:**

State of Alaska, Cook Inlet Areawide Lease Sale 2015W
Not to be opened until 9:00 a.m., May 6, 2015; Lease Sale Tract # _____

Bid Submission

Bids may be submitted in person on the date and location specified in the **Sale Dates** and **Sale Locations and Addresses** sections of this document.

Mailed bids and bids sent by delivery service must be sent to the address specified in the **Sale Locations and Addresses** section of this document. Bidders are encouraged to place sealed bids in a second envelope when mailing bids or using a delivery service.

Bids must be received by DO&G no later than the deadline specified in the **Sale Dates** section of this document to be included in the public bid opening. Bids arriving by mail or delivery service prior to the bid submission date specified in the **Sale Dates** section of this document will be held by DO&G until 9:00 a.m. on bid submission day, and will be officially receipted at that time. **Bids received after the deadline specified in the Sale Dates section of this document will not be accepted, opened, or read at the sale.**

Bids on tracts deferred or deleted from the sale prior to the bid submission deadline will not be accepted, opened, or read at the public bid opening. Refer to the section **Tracts Deferred or Deleted from Sale** for more information.

A bid agent may withdraw a submitted bid prior to the date and time specified in the **Sale Dates** section of this document without forfeiting the bid deposit.

Information pertaining to the total number of bids received, total number of tracts receiving bids, and total acreage receiving bids may be released after the bid withdrawal deadline specified in the **Sale Dates** section of this document at the discretion of the Commissioner of DNR.

Bid Reading and Processing

Public opening and reading of bids will be held on the as specified in the **Sale Dates** and **Sale Locations and Addresses** sections of this document. Bids will be processed in the following manner:

1. *Bid opening and reading.* Bid opening will start at 9:00 a.m. and will continue as long as necessary to open and read all bids. **The opening and reading of bids is for the sole purpose of publicly announcing bids received. No bids will be officially validated or rejected at this time.**
2. *Bid adjudication.* Bids will be adjudicated in DO&G offices following bid opening and reading.
3. *Results.* Preliminary sale results, including a list of the apparent high bidders, will be posted at <http://dog.dnr.alaska.gov/Leasing/SaleResults.htm> once bid adjudication is complete.
4. *Return of bid deposit.* A bidder submitting a bid that is not the apparent high bid may pick up bid deposits as specified in the **Sale Dates** and **Sale Locations and Addresses** sections of this document. Bid deposits that have not been picked up by that time will be returned to the bidder by mail according to the instructions for return of bid deposit on the bid form.
5. *Presentation of bid deposits for payment.* Bid deposits for an apparent high bid tendered in cash or by certified check, cashier's check or money order will be presented immediately after bid adjudication for payment in federal funds at the State of Alaska's financial institution.

Method of Handling Bids Following Bid Opening

The bidder submitting a valid bid presenting the highest Total Bid Per Acre will be the apparent high bidder. Once the commissioner accepts the apparent high bids and bid deposits, the high bidders will receive a **Notice to High Bidder** informing them of the commissioner's acceptance of their apparent high bid and bid deposit. Please note that this may take several weeks.

Once the **Notices to High Bidders** are issued, DO&G will determine the lease award as described in the **Lease Adjudication** section of this document.

After a determination on what lands, if any, are available for lease, DO&G will issue **Award Notices** to the high bidders. The **Award Notices** will inform the high bidders of the actual total amount of leasable acreage, if any, within the tracts, the actual total bonus bid amounts for the tracts, interest rate and interest on the bonus bid amount, and the first year's rental, all of which must be paid before a lease will be issued. **Award Notices** will be sent no earlier than 60 days after bid opening.

Acreage Limitations

DO&G will not award leases that cause a bidder to exceed acreage limitations prescribed in AS 38.05.140(c).

Americans with Disabilities Act Compliance

The State of Alaska, Department of Natural Resources, Division of Oil & 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 call the Leasing Section at (907) 269-8800 or email dog.leasing@alaska.gov to make any necessary arrangements.



Paul Decker
Acting Director, Division of Oil and Gas