

STATE OF ALASKA

Tony Knowles, Governor

Department of Natural Resources

3601 C STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948

Division of Oil and Gas

November 17, 1998

Phone: 269-8805

SALE ANNOUNCEMENT

STATE OF ALASKA

NORTH SLOPE AREAWIDE 1999 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources, Division of Oil and Gas (DO&G), gives formal notice under AS 38.05.945(a)(4), that it will offer lands for competitive oil and gas leasing in North Slope Areawide, 1999. The North Slope Areawide Sale encompasses a gross area of approximately 5.1 million acres, divided into 1,225 tracts ranging in size from 640 to 5,760 acres. These tracts are located entirely within the North Slope Borough between the Canning River and ANWR on the East and the Colville River and NPRA in the West. The southern boundary of the sale area is the Umiat Meridian baseline. The northern fringe of the sale area is set back from the Beaufort Sea to exclude any tide or submerged lands from the sale area.

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 December 1st, 1998 will be considered available for leasing in North Slope Areawide 1999. Lands released from leased status after that date would then be offered in North Slope Areawide 2000 scheduled for February 23, 2000.

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. Only those lands free of title flaws and unencumbered will be included in any lease issued on these tracts.

Activities resulting from this sale may affect the community of Nuiqsut.

State/ASRC lands

There are no lands that are jointly owned by the State of Alaska and ASRC currently available within this sale area.

Tract Map

The Tract Map has been prepared to assist potential bidders in identifying un-leased acreage that may be available for North Slope Areawide 1999. This map is a graphical representation only, source documents remain the official record. The state makes no warranty of the accuracy of this map. Potential bidders are advised that they are solely responsible for determining the availability and leasability of any acreage prior to the submission of any bid.

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

Relocation of Offices

DO&G is scheduled to relocate its offices onto the 8th floor of the Bank of America Building, located at 550 W. 7th Ave. in Anchorage on February 8th, 1999. All mail will continue to be received at the Frontier Building location until further notice. All telephone and Fax numbers will remain the same after the relocation.

Sale Terms

Bidding Method:

The bidding method for all tracts in North Slope Areawide, 1999 will be cash bonus bidding with a minimum bid of **five (\$5) per acre**.

Royalty Rate:

All Leases will have a fixed royalty rate of **twelve and one half percent, (12.5%)**.

Length of Lease:

All leases will have an initial primary term of seven (7) years.

Lease Forms:

Leases will be executed on Form No. DO&G 9609 (COMPETITIVE OIL AND GAS LEASE), revised in June, 1997.

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.

Best Interest Finding and ACMP Consistency Determination

North Slope Areawide 1999 is an exempt sale held under Alaska Statute(s) 38.05.180(d)(1), and 38.05.035(e)(6)(F). Under these provisions the commissioner may annually offer oil and gas leases of acreage that have been subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that substantial new information has become available that justifies a supplement to the finding.

In support of the first North Slope Areawide Lease Sale (a.k.a. Oil and Gas Lease Sale 87), the director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g), on March 17, 1998. This finding sets forth the facts, policies, and applicable laws upon which he has based his determination that oil and gas lease sales on the North Slope of Alaska will best serve the interests of the state. In addition, a final coastal zone consistency determination was also made that oil and gas lease sales are consistent with the North Slope Borough, and Alaska Coastal Management Programs (ACMP). 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.

On July 21, 1998 DO&G issued a Call for Comments requesting substantial new information regarding the proposal to re-offer available Sale 87 acreage in North Slope Areawide 1999. No substantial new information was received by DO&G.

On November 17, 1998 the commissioner issued a Decision of No New Information regarding North Slope Areawide 1999.

This Decision of No New Information is a final administrative decision of the department. A person who is aggrieved by this Decision of No New Information may request the commissioner to reconsider the decision under AS 35.05.035(i) and (j). To be eligible, an appellant must have meaningfully participated in the process to develop the decision by either submitting written comments during the prescribed comment periods, or by presenting oral testimony at a public hearing regarding the sale. A request for reconsideration must be received by John T. Shively, Commissioner, Department of Natural Resources, 3601 "C" Street, Suite 1210, Anchorage, Alaska 99503-5921, or received by fax at 907-562-4871 by **5:00 p.m. (Alaska Standard Time), December 7, 1998**. If the commissioner fails to act on the request for reconsideration by **December 17, 1998**, 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 finding 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.

Stipulations and Mitigation Measures

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 North Slope Areawide Lease Sale 1999. These lease mitigation measures will be enforced throughout the duration of the lease. Lease terms will be imposed through approval of plans of operations or exploration and development and other permits to mitigate potential adverse social and environmental effects of lease related activities.

A plan of operations is to be submitted to DO&G for its review and approval. DO&G will review this plan for consistency with the ACMP under 6 AAC 50. In addition to a plan of operations, some proposed lease activities may be subject to the local land use regulations of the municipality in which the lease tract is located. 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 Alaska Coastal Management Program (ACMP) review process.

The lease mitigation measures developed by the state for North Slope Areawide Lease Sales describe standards that must be met by the lessees. These standards are applicable to water quality and appropriation; gravel extraction; oil spill prevention and cleanup; construction of causeways; pipelines and other lease related structures and facilities; public access; disposal of waste; drilling muds and cuttings and produced waters; timing and routing of exploration and development activities, rehabilitation of abandoned sites and additional permits and approvals. These lease mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts in the sale areas.

Other Terms of Sale

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Determination of public or navigable waters and the location of easements or rights-of-way to protect access to and along those waters will be addressed in the plans of operation or plans of exploration and development for each lease.

Bidding Procedures

North Slope Areawide 1999 is scheduled to be held beginning at 8:30 a.m., on February 24, 1999, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

BIDS WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Standard Time) on February 22, 1999 in DO&G's NEW offices on the Eighth Floor of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska. Bids arriving prior to February 22, 1999 will be held by DO&G until 9:00 a.m. February 22, 1999 and will be officially received at that time. Bids that are mailed should continue to be sent to the Director, DO&G, 3601 C St., The Frontier Building, Suite 1380, Anchorage, Alaska 99503-5948. Bids that are sent by a delivery service, however, should be sent to DO&G's new offices on the Eighth Floor of the Bank of America Building. All bids must be received by the division no later than 4:00 p.m. February 22, 1999. Information regarding the bids will be held confidential until the day of the sale.

The envelope for each bid for tracts in North Slope Areawide 1999 should be marked:

"State of Alaska, North Slope Areawide Competitive Lease Sale 1999; not to be opened until 8:30 a.m., FEBRUARY 24, 1999; Tract # _____."

No other statements, information or identification should appear on the outside of the envelope.

BIDS RECEIVED AFTER 4:00 p.m. FEBRUARY 22, 1999 OR ON THE DAY OF THE SALE WILL BE REJECTED.

Bids will be processed on February 24, 1999 in the following manner:

1. 8:30 a.m. - 10:00 a.m., Unadjudicated bids will be opened and read in public in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage, Alaska.
2. 10:00 a.m. - 3:30 p.m., Bids will be adjudicated in the Division of Oil and Gas offices.
3. 3:30 p.m., Preliminary Sale Results, including a list of the apparent high bidders, will be available to the public in the Director's suite of DO&G's NEW offices on the Eighth Floor of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska.

In order to bid at the sale, bidders **must** pre-qualify no later than 4:00 p.m., February 22, 1999. Potential bidders should consult the Instructions to Bidders or DO&G for pre-qualification requirements and procedures.

Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, 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 after receipt of a notice of deficiency.

Additional Information

Copies of the final finding for Sale 87 are also available for public review at the following locations: Nuiqsut public library, the North Slope Borough offices, the North Slope Borough Library Media Center, the City of Barrow municipal offices, Tuzzy Consortium Library in Barrow, and the Loussac Public Library in Anchorage.

**The Final Finding is available on the DO&G's Web page at:
<http://www.dnr.state.ak.us/oil>**

Potential bidders and interested individuals may obtain complete details regarding North Slope Areawide 1999, including copies of: the Sale Announcement, the Instructions to Bidders, the Mitigation Measures, the ACMP Consistency Determination, and other information, during regular office hours, from DO&G, Frontier Building, 3601 C Street, Suite 1380; in Anchorage, or by writing DO&G at 3601 C Street, Suite 1380, Anchorage, Alaska 99503-5948, attn: Lynn Blessington. Estimated acreage figures for each tract are available in Attachment A to the Instructions to Bidders.

Potential bidders and interested individuals may obtain copies of the official Tract Map for North Slope Areawide 1999 in the following manners:

For a free printed version:

Contact: Lynn Blessington
Division of Oil and Gas
3601 C Street, Suite 1380; Anchorage, AK. 99503-5948,
Phone: 269-8805, email at leb@dnr.state.ak.us.

For a CD-ROM containing a copy of the Tract Map in PDF format:

Contact: State of Alaska
Support Services
Land Record Information Section
3601 C Street, Suite 916 Anchorage, AK 99503-5936
Fax: 907-563-1497, email at gispubac@dnr.state.ak.us,
Phone Joyce Zeller at: 269-8833

The cost for each CD version of the tract Map is \$50.00, and \$2.50 for postage. Please make checks payable to: Department of Revenue, State of Alaska. DO&G will include a free copy of Adobe Reader 3.01 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 Lynn Blessington at (907) 269-8808 to make any necessary arrangements.

NSA-99, -Announcement