

STATE OF ALASKA

**Department of Natural Resources
Division of Oil and Gas**

Tony Knowles, Governor

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July 25, 2001

Phone: 269-8804

SALE ANNOUNCEMENT

STATE OF ALASKA

NORTH SLOPE AREAWIDE 2001 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.945(a)(4), that it will offer lands for competitive oil and gas leasing in North Slope Areawide 2001 Oil and Gas Lease Sale. North Slope Areawide 2001 will be held at 8:30 a.m., on October 24, 2001, in the Wilda Marston Theater, Loussac Public Library, 3600 Denali Street, in Anchorage.

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 Arctic National Wildlife Refuge (ANWR) on the East and the Colville River and National Petroleum Reserve - Alaska (NPR) 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. Activities resulting from this sale may affect the native villages of Barrow, Nuiqsut, and Kaktovik, and the community of Deadhorse.

DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. Only those lands not covered by existing leases as of August 1, 2001 will be considered available for leasing in North Slope Areawide 2001. Leased acreage becoming available after that date would then be offered in North Slope Areawide 2002, scheduled for October 2002.

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 leased area.

Tract Deletions and Deferrals

DNR has deleted Tracts 917, 918, 921, 924 and 927 from the 2001 sale. The Division has determined that information on these tracts that is essential to the competitive bidding process is not available to all potential bidders.

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

Best Interest Finding and ACMP Consistency Determination

North Slope Areawide 2001 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 North Slope Areawide Lease Sale 1998 (a.k.a. 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). On August 15, 2000, DO&G issued a Decision to Supplement that best interest finding with a *Supplement to Chapter 5, Reasonably Foreseeable Effects*.

On February 7, 2001 DO&G issued a Call for Comments requesting new information regarding the proposal to re-offer available North Slope acreage in the year 2001. At that time the final finding for the 1998 North Slope areawide sale and the final coastal zone management consistency determination were made available for public review. DO&G requested new information subsequent to publication of the 1998 final finding. Based on the information received, concurrent with this sale announcement DO&G is issuing a Decision of No New Information.

Appeal Procedures

This Decision of No New Information is a final administrative decision of the department. A person who is aggrieved by the decision may request the commissioner to reconsider these actions under AS 35.05.035(i) and (j). To be eligible, an appellant must have meaningfully participated in the finding process 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 the Commissioner, Department of Natural Resources, in Suite 1410 of the Atwood Building, located at 550 W. 7th Ave., in Anchorage, Alaska 99501, or received by fax at (907) 269-8918 by **5:00 p.m. (ADT), August 14, 2001**. If the commissioner fails to act on the request for reconsideration by **August 24, 2001**, 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.

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 mitigation measures that will be enforced 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. Enforcement will be imposed through approval of plans of operation, exploration and development and other permits. DO&G will review this plan for consistency with the ACMP the 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.

In addition, some proposed lease activities may be subject to local land use regulations.

Sale Terms

Bidding Method:

The bidding method for all tracts in North Slope Areawide 2001 will be cash bonus bidding with a minimum bid of **five dollars (\$5) per acre**.

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.

Royalty Rate/Length of Lease:

Leases on all tracts will have a term of **seven (7) years**.

Leases issued on **Tracts 0520 through 1225** will have a fixed royalty rate of **sixteen and two-thirds percent (16.66667%)**.

Leases issued on the rest of the tracts will have a fixed royalty rate of **twelve and one-half percent (12.5%)**.

Lease Forms:

Leases will be executed on Form No. DO&G 9609 (COMPETITIVE OIL AND GAS LEASE) revised in August 2000.

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.

Sale Information

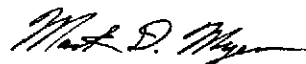
Copies of the final finding, supplement and tract map are available at the following locations: Nuiqsut Public Library, North Slope Borough Library Media Center, North Slope Borough Offices, Tuzzy Consortium Library in Barrow, City of Barrow Municipal Offices, Kaveolook School Library in Kaktovik and Loussac Public Library in Anchorage.

Complete details regarding North Slope Areawide 2001, including the following documents, are on the DO&G's Webpage at: <http://www.dog.dnr.state.ak.us/oil>:

- Sale Announcement w/Mitigation Measures
- Instructions to Bidders with Attachment A (Estimated acreage figures) and Bid form
- Final Finding and Supplement
- Decision of No New Information
- Tract map

Paper copies of these documents, are available by phoning during regular office hours or writing, DO&G 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501, Attn: Suzanne Gaguzis, (907) 269-8803.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication will be made available in alternative communication formats upon request. Please contact Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.



Mark D. Myers,
Director