

STATE OF ALASKA

Frank H. Murkowski, Governor

Department of Natural Resources

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Division of Oil and Gas

April 7, 2006

Phone: 375-8242

SALE ANNOUNCEMENT

NORTH SLOPE FOOTHILLS AREA WIDE 2006 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 Foothills Areawide 2006 (FH 2006). FH 2006 will be held in Anchorage beginning at 8:30 a.m., on May 24, 2006, in the Wilda Marston Theater, Loussac Public Library, 3600 Denali Street.

The North Slope Foothills Areawide sale area covers approximately 7.6 million acres lying between the Arctic National Wildlife Refuge and the National Petroleum Reserve-Alaska, south of the Umiat Baseline to the Gates of the Arctic National Park and Preserve. The sale area, which is entirely within the North Slope Borough, has been divided into 1,347 tracts ranging in gross area from 1,280 to 5,760 acres. The sale area contains acreage owned by the State of Alaska, Arctic Slope Regional Corporation (ASRC) and the United States. Activities resulting from this sale may affect the cities of Anaktuvuk Pass, 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. The tract map reflects state acreage (both conveyed and selected/topfiled), federal acreage, and ASRC acreage (both conveyed and selected). Some ASRC acreage has been topfiled by the state. Topfiling allows the state to request acreage that is not currently available for selection, but may at some future time be available for selection and conveyance to the state. Topfilings attach as selections at such time as the acreage becomes available for selection. **Only those lands within the sale area that, as of March 15, 2006 have been conveyed to the state and are not covered by existing leases, will be considered available for leasing.** Lands selected or topfiled by the state, but not yet conveyed, cannot be leased by the state. Lands that become available for lease after **March 15, 2006** will be offered in North Slope Foothills Areawide 2007, scheduled for May 2007. **Bidders are cautioned to verify state title to acreage within these townships/tracts prior to bidding.**

The exact amount of net leaseable acreage in any tract will not be determined unless a bid for that tract is received. Following the sale DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids. Acreage not owned by the state or already subject to an oil and gas lease will be excluded from the lease.

State/ASRC Lands

There are no lands jointly owned by the State of Alaska and ASRC included in this sale.

Tract Deletions

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

Best Interest Finding and ACMP Consistency Determination

NSFH 2006 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 acreage for oil and gas lease that has been subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that new information has become available that justifies a supplement to the finding.

In support of this lease sale, the director of DO&G prepared and disseminated a written final finding and decision under AS 38.05.035(e) and (g), which sets forth the facts, policies, and applicable laws upon which he has based his determination that leasing in the Foothills area will best serve the interests of the state. This finding was issued on February 7, 2001. In addition, a final coastal zone consistency determination was made that a Foothills lease sale is consistent with the North Slope Borough and Alaska Coastal Management Programs (ACMP) under AS 46.40. Also, on January 30, 2002, DO&G issued a supplement to the final finding.

Decision of No Substantial New Information

On January 23, 2006, DO&G issued a Call for New Information for the North Slope Foothills Areawide 2006 Oil and Gas Lease Sale. On April 5, 2006, DO&G issued a Decision of No Substantial New Information, which is available on the Division's website and at the locations listed below. See the decision for appeal procedures and deadlines. An eligible person must first request reconsideration of the decision in accordance with 11 AAC 02 before appealing the decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

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 operations, exploration and development and other permits. DO&G will review these plans for consistency with the ACMP 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.

Sale Terms

Bidding Method:

The bidding method for all tracts will be cash bonus bidding with a minimum bid of **five dollars (\$5) 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.

Royalty Rate:

All leases will have a fixed royalty rate of **twelve and one half percent (12 1/2%).**

Length of Lease:

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

Lease Form

Leases will be executed on Competitive Oil and Gas Lease Form # DO&G 200604.

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 (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

Copies of the final finding are available for public review 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, Anaktuvuk Pass Mayor's Office, Kaveolook School Library in Kaktovik and Loussac Public Library in Anchorage. The Regional Tract Map will be available at these locations on April 11, 2006. Complete details regarding FH 2006, including the following documents, are on the DO&G's Webpage at **<http://www.dog.dnr.state.ak.us/oil>**:

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders w/Estimated Tract acreage figures in “Attachment A”
- Bid Form
- Decision of No Substantial New Information
- Final Finding; 2002 Supplement
- Regional Tract Map

Paper copies of these documents, as well as other information, 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, or e-mail at msg@dnr.state.ak.us.

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.



William Van Dyke,
Acting Director

NSF 2006-Announcement