

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

550 WEST 7TH AVENUE, SUITE 800
ANCHORAGE, ALASKA 99501-3560

PHONE: (907) 269-8800

FAX: (907) 269-8938

September 8, 2009

Phone: 269-8816

SALE ANNOUNCEMENT

NORTH SLOPE FOOTHILLS AREAWIDE 2009 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 2009 (FH 2009). FH 2009 will be held in Anchorage beginning at 9:00 a.m. on October 28, 2009, Dena'ina Civic Convention Center, 600 W. 7th Avenue, Anchorage. **Please note the time and location change.**

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 have been conveyed to the state and are not covered by existing leases or pending leases as of September 8, 2009, 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 September 8, 2009 will be offered in a future North Slope Foothills Areawide sale.

The tract map does not show detailed land ownership, land under lease or land pending lease. **Bidders are cautioned to verify state title to acreage within these townships/tracts prior to bidding.**

The exact amount of net leasable 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. This process may take several months to complete. Acreage not owned by the state, already subject to an oil and gas lease or pending lease, or clouded by title claims will be excluded from the leased area.

State/ASRC Lands

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

Colville River

On February 2, 1993, the State of Alaska executed Quitclaim Deed No. 1213 (ADL 64098), conveying “all right, title and interest” to that portion of the bed of the Colville River upstream of section 15, T.1S., R.1W, Umiat Meridian to the Bureau of Land Management for subsequent conveyance to Arctic Slope Regional Corporation. The Deed was recorded in the Barrow Recording District on March 1, 1993 at Book 66, Pages 844-845 (Document No. 1993-000414-0). The land described in the Deed is not available for lease.

Tract Deletions

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

Best Interest Finding and ACMP Consistency Determination

North Slope Foothills Areawide 2009 Oil and Gas Lease Sale is an exempt sale held under Alaska Statutes (AS) 38.05.180(d)(1) and 38.05.035(e)(6)(F). Under these provisions, the commissioner of the Alaska Department of Natural Resources (ADNR) 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 substantial new information has become available that justifies a supplement to the finding.

In support of the sale, the Director of the Division of Oil and Gas (DO&G) issued a written final finding and decision under AS 38.05.035(e) and (g) on February 7, 2001 and supplemented on January 30, 2002. The decision sets forth the facts, policies, and applicable laws upon which the commissioner based his determination that oil and gas leasing in the North Slope Foothills area will best serve the interests of the state. In addition, a final coastal zone consistency determination was made that oil and gas lease sales were consistent with the North Slope Borough Coastal Management Program and with the Alaska Coastal Management Program (ACMP).

Decision of No Substantial New Information

On March 3, 2009, DO&G issued a Call for New Information for North Slope Foothills Areawide 2009 Oil and Gas Lease Sale. DO&G requested any new information subsequent to publication of the 2001 finding and 2002 supplement. Based upon the information received in response to the 2009 call for new information, ADNR has issued a Decision of No Substantial New Information, which is available on DO&G’s website and at the locations listed under [Sale Information](#) below.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director of 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. Some proposed lease activities may also be subject to local land use regulations.

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%)**.

Primary Term 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 (rev. 32009). The lease form has been revised to correct a typographical error in paragraph 36(b), and to modify the Royalty in Kind provisions in paragraph 38(a), (c) and (e). The sample lease form is located on the DO&G web site at <http://www.dog.dnr.state.ak.us/oil/programs/leasing/leaseadmin/leasead.in.htm>.

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, Z.J. Loussac Public Library in Anchorage and DO&G offices. The regional tract map will also be available at these locations. Complete details regarding FH 2009, including the following documents, are on DO&G’s webpage at <http://www.dog.dnr.state.ak.us/>

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (February 2001); Supplement (January 2002)
- Decision of No Substantial New Information(July 2009)
- Regional Tract Map (September 8 2009)

Paper copies of these documents are available by contacting Jennifer Haines at (907) 375-8247; email jennifer.haines@alaska.gov or at DO&G, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560.

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 Jennifer Haines at (907) 375-8247 to make any necessary arrangements.

A handwritten signature in blue ink that reads "Kevin R. Banks". The signature is written in a cursive style with a prominent initial "K".

Kevin R. Banks
Director

NSFH 2009-Announcement