

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

SEAN PARNELL, GOVERNOR

550 WEST 7<sup>TH</sup> AVENUE, SUITE 800  
ANCHORAGE, ALASKA 99501-3560

PHONE: (907) 269-8800

FAX: (907) 269-8938

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Phone: (907) 269-8757

## SALE ANNOUNCEMENT

### NORTH SLOPE FOOTHILLS AREAWIDE 2010 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), 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 the North Slope Foothills Areawide 2010 Oil and Gas Lease Sale (FH 2010 sale). The FH 2010 sale will be held in Anchorage beginning at **9:00 a.m., October 27, 2010** in the auditorium of the Anchorage Museum at Rasmuson Center, located at 625 C Street in Anchorage. Please note the location change.

The North Slope Foothills Areawide sale area encompasses approximately 7.6 million acres that are divided into 1,347 tracts ranging in size from 1,280 to 5,760 acres. These tracts are located entirely within the North Slope Borough the Arctic National Wildlife Refuge on the east and the National Petroleum Reserve-Alaska on the west. The northern boundary is the Umiat baseline, and the southern boundary is the Gates of the Arctic National Park and Preserve. Activities resulting from this sale may affect the communities of Anaktuvuk Pass, Barrow, Nuiqsut, and Kaktovik, and Deadhorse.

The DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. The tract map reflects federal, state, and ASRC land ownership; it also reflects lands which the state has merely selected or applied for conveyance of title. Certain lands are shown as selected by ASRC but also show a state topfiling selection. A topfiling is a future selection which takes effect when and if the lands become available to the state. Only state-owned lands that were available before September 1, 2010 may be leased in the FH 2010 sale. Lands that are conveyed to the state or that become available for leasing on or after that date may be offered in a future North Slope Foothills Areawide sale.

The tract map does not show detailed land ownership or land under 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 is received for the tract. Following the sale, the DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids to determine what lands are available for lease. This process may take several months to complete. 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.

#### 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 – (Deed), 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 ASRC. 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 Alaska Coastal Management Program (ACMP) Consistency Determination**

The FH 2010 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 may annually offer acreage for oil and gas leasing 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. If the director determines that a supplement to the most recent best interest finding is required, the director shall issue the supplement not later than 90 days before the sale.

In support of a North Slope Foothills Areawide lease sale, the director of the 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 set forth the facts, policies, and applicable laws upon which a determination was made that oil and gas lease sales 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 are consistent with the Alaska Coastal Management Program (ACMP). The North Slope Foothills Areawide final best interest finding is available on the DO&G website at [www.dog.dnr.alaska.gov/oil](http://www.dog.dnr.alaska.gov/oil), at the DO&G office in Anchorage, and at the locations listed under [Sale Information](#) below.

### **Decision of Substantial New Information**

On April 22, 2010, the DO&G issued a Call for New Information for the FH 2010 sale. The DO&G requested any new information subsequent to publication of the February 7, 2001 finding and January 30, 2002 supplement. Based upon the information received in response to the 2010 Call for New Information, the ADNR has issued a Decision of Substantial New Information and Supplement to the 2001 final finding. Both documents are available on the DO&G website and at the DO&G office in Anchorage.

### **Mitigation Measures**

AS 38.05.035(e) and the departmental delegation of authority give the director of the 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 in effect 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. The DO&G will condition plans of operation, exploration, and other permits based on these mitigation measures. The DO&G will review these plans for consistency with the ACMP under 11 AAC 110, 112, and 114. The lessee must obtain all the necessary federal, state, and local permits and approvals required

by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process and the ACMP review process.

### **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. 3/2009). A sample lease form is available on the DO&G website at [http://www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample\\_lease.pdf](http://www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample_lease.pdf).

### **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. 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 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 83.390 and 11 AAC 96.060.

### **Sale Information**

Complete details regarding the BS 2010A sale, including the following documents, are on the DO&G website at [www.dog.dnr.alaska.gov/oil](http://www.dog.dnr.alaska.gov/oil):

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (February 2001) and supplements (January 2002 and July 2010)
- Decision of Substantial New Information (July 2010)
- Regional Tract map (September 1, 2010)

Paper copies of these documents are available for a fee. To order these documents, please contact:

Holly Poydack, ADNR, Division of Oil and Gas  
550 West 7<sup>th</sup> Avenue, Suite 800  
Anchorage, AK 99501-3560  
Phone: (907) 269-8757  
Email: [holly.poydack@alaska.gov](mailto:holly.poydack@alaska.gov)

Copies of the North Slope Foothills Areawide final best interest finding and regional tract map have been provided to the following: the Nuiqsut Public Library, the North Slope Borough Library Media Center, the North Slope Borough Offices, the Tuzzy Consortium Library in Barrow, the City of Barrow Municipal Offices, the Anaktuvuk Pass Mayor's Office, the Kaveolook School Library in Kaktovik, and the Z. J. Loussac Public Library in Anchorage.

The State of Alaska, ADNR, Division of Oil and Gas 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 Holly Poydack at (907) 269-8757 or [holly.poydack@alaska.gov](mailto:holly.poydack@alaska.gov) to make any necessary arrangements.



Kevin R. Banks  
Director