

SOLICITATION FOR OFFERS  
TO PURCHASE ALASKA NORTH SLOPE  
ROYALTY GAS



Alaska Department of  
**NATURAL  
RESOURCES**  
DIVISION OF OIL & GAS

**550 West 7th Avenue, Suite 800  
Anchorage, Alaska 99501-3510**

**December 26, 2001**

**STATE OF ALASKA**  
**SOLICITATION FOR OFFERS**  
**TO PURCHASE ALASKA NORTH SLOPE**  
**ROYALTY GAS**

**DECEMBER 26, 2001**

The Department of Natural Resource, Division of Oil and Gas (“Division”), gives notice under Title 38, Alaska Statutes, of its intention to sell royalty gas that may be produced from Alaska’s North Slope (ANS) upon completion of a natural gas pipeline. By this notice, potential buyers are invited to submit offers to purchase the State’s royalty-in-kind (RIK) gas. Offers must be received at the address listed below no later than **January 31, 2002**. All offers received by the deadline will be opened and announced at a public meeting scheduled on **February 1, 2002** at 8:30 a.m. in Room 240 of the Robert B. Atwood Building, 550 West Seventh Avenue, Anchorage, Alaska.

DNR reserves the right to amend or cancel this Solicitation for Offers at any time. Any interested person who wants to be notified directly of amendments or cancellation should provide the name, telephone number and address of the contact person to Kevin Banks at [krb@dnr.state.ak.us](mailto:krb@dnr.state.ak.us); by fax to (907) 269-8938; or by mail to DO&G, 550 West Seventh Avenue, Suite 800, Anchorage, Alaska 99501-3510.

To be considered under this Solicitation, offers must meet the following Minimum Cash Bonus and Base Price conditions. Paragraphs 1-7, below, are negotiable terms.

1. **MINIMUM CASH BONUS**. In order to participate in the competitive sale, the potential buyer’s offer must commit to a minimum cash bonus. The minimum cash bonus must equal \$1.00 per Mcf per day of Maximum Quantities the buyer proposes to purchase (see e.g., *Sample Contract* at Article 3.1.1).
  
2. **BASE PRICE**. The potential buyer must offer a base price. For the purposes of this competitive RIK sale offer “Base Price” is defined in Article 3.3.1 in the *Sample Contract*. The State will consider offers that include a different mechanism than the method outlined in the *Sample Contract* to calculate the Base Price so long as it is consistent with the definition of Base Price as the volume-weighted average of the amounts paid by the lessees for royalty gas in-value. If the State is not satisfied with a proposed Base Price mechanism, the State will detail a mechanism it considers acceptable.

In addition to the Minimum cash Bonus and Minimum Base Price, potential buyers are encouraged to include some or all of the following terms in their offers. The Division will consider the benefits to the State that the additional terms would provide when it evaluates the offers.

3. **PRICE PREMIUM.** Potential buyers may offer a price premium over and above the Base Price. It will be considered along with proposed Special Commitments in evaluating the benefits of an offer to the State.
4. **OPTION PRICE.** If the potential buyer wishes to have the right to terminate the contract or reduce the Maximum Quantities (i.e., the amount of gas the buyer has contracted to purchase) by more than 50 percent, the buyer should include the option price it proposes to pay for the right (see e.g., *Sample Contract* at Article 9.4).
5. **SPECIAL COMMITMENTS.** Potential buyers may offer Special Commitments in addition to the Minimum Cash Bonus and Base Price. Special Commitments may be offered with or without with a price premium or option price. The price premium or option price and Special Commitments that are offered will be considered separately and jointly to determine the potential benefits to the State. Performance of Special Commitments must be measurable and enforceable by the State (see e.g., *Sample Contract* at Article II).
6. **QUANTITY OF GAS.** The State will offer up to 70 percent of its royalty gas from the Prudhoe Bay and Point Thomson Units. Offers must include an estimate of the amount of gas the buyer proposes to purchase (see, e.g., *Sample Contract* at Article 3.1.1 and Schedule 1 concerning “Maximum Quantities”).
7. **TERM.** Potential Buyers must specify in their offers the time period proposed for a State Royalty Gas Sale Contract. In no case will the term of a contract entered into as a result of this Solicitation to Offer begin until a gas pipeline and related facilities are constructed to deliver ANS gas to markets inside or outside of Alaska. No gas will be delivered under a State Royalty Gas Sale Contract gas sale contract until ANS gas is produced and delivered by the lessees to the State. The term of any contract entered into as a result of this Solicitation to Offer will be contingent as provided in the terms of Articles 8.1, 8.2, 8.3 and 8.4 of the *Sample Contract*.
8. **SOURCE OF GAS.** The State assumes that royalty gas delivered under a State Royalty Gas Sale Contract will come from the Prudhoe Bay Unit and the presently undeveloped Point Thomson Unit (see the *Sample Contract* at Article 3.1.5). The right of the State to determine the source of the royalty gas to be delivered under the State Royalty Gas Sale Contract is a non-negotiable term.
9. **POINT OF DELIVERY.** For purposes of this Solicitation for Offers, the points of delivery for the State’s RIK gas are not yet determined. The State Royalty Gas Sale Contract will define the Point(s) of Delivery as the transfer point(s) where the State receives its royalty gas in-kind from the lessees (see e.g., *Sample Contract* at Article 1.14). This term is non-negotiable.
10. **FIELD AND CONDITIONING COSTS.** The State Royalty Gas Sale Contract will require that the buyer pay any and all field and conditioning costs chargeable against the State’s royalty share of gas delivered under the contract. This term is non-negotiable.

11. **PAYMENTS.** The State Royalty Gas Sale Contract gas contract will specify that the State will bill the buyer each month using a “best estimate” of price and volume. The State will make adjustments in later months as additional information about price and volume becomes available. This term is non-negotiable.
12. **SECURITY.** The potential buyer is required to provide security to protect the State’s interests. The *Sample Contract* discusses potentially acceptable forms of security (see the *Sample Contract* at Article VI). Although the requirement to provide security is non-negotiable, the security terms may be negotiated to some degree.
13. **PREQUALIFICATION.** In order to be eligible to submit an offer, an individual, corporation, or other entity must first apply to the Division of Oil and Gas for qualification to offer. In order to qualify, an applicant must be (A) a person who has reached the age of majority and who is a citizen of the United States; (B) a corporation organized and existing under and by virtue of the laws of the United States or of any state, territory, or the District of Columbia and qualified to do business in Alaska; or (C) an association of the above. To qualify, a corporation must be authorized to do business in the State of Alaska.
  - a. **APPLICATION FOR QUALIFICATION.** An individual, corporation or other entity who is not already qualified with the Division of Oil and Gas must prequalify by completing the attached form entitled “Qualification to Offer,” before submitting an offer under this Solicitation for Offers. The completed application must be received by the Division of Oil and Gas, Attn: Kevin Banks, at 550 West Seventh Avenue, Suite 800, Anchorage, AK 99501-3510, no later than 4:30 p.m., Alaska Standard Time, **January 17, 2002.**

An applicant must provide additional information concerning the applicant’s financial standing and financial capability to perform the terms of a State Royalty Gas Sale Contract if the Division of Oil and Gas requests such information. Upon the applicant’s written request as provided in AS 38.05.035(a)(9)(D), the Commissioner will hold confidential cost data and financial information contained in the application to the extent provided by law.
  - b. **QUALIFICATION DETERMINATIONS.** No later than **January 25, 2002**, the Commissioner will determine the applicant’s eligibility to submit an offer. The Division will notify each applicant of its eligibility by mail or telefax.
14. **OTHER QUALIFICATIONS.** A prospective buyer must be able to demonstrate to the Commissioner’s satisfaction that it has the financial ability, necessary management skills, and experience to perform the terms of a State Royalty Gas Sale Contract.
15. **OFFERS.** Only prequalified applicants may submit offers. Each offer must be submitted on the “Offer for State Royalty Gas” form (Offer form) attached to this Solicitation.

- a. **SIGNATURES.** Each prospective buyer, or the buyer's authorized representative, must sign the Offer form. By signing the Offer form, the prospective buyer, or the buyer's authorized representative, certifies that it has full authority to submit an offer to purchase the State's royalty gas, and to negotiate and bind the prospective buyer to the terms and conditions of a State Royalty Gas Sale Contract if such a contract results from the offer.
- b. **SUBMITTING OFFERS.** Offers must be submitted to the Director, Division of Oil and Gas, 550 West Seventh Avenue, Suite 800, Anchorage, AK 99501-3510. Offers may be delivered personally or by mail. Offers must be received no later than 4:30 p.m., Alaska Standard Time, **January 31, 2002.**

Offers must be submitted separately in a sealed envelope that has the prospective buyer's name, address, and "OFFER FOR ROYALTY GAS, January 31, 2002" clearly printed on the front.

- c. **LATE OFFERS.** Only offers received at the location specified in this Solicitation by 4:30 p.m., Alaska Standard Time on **January 31, 2002** will be accepted. Late offers will be returned unopened.
16. **REJECTION OF OFFERS.** The Commissioner may reject any or all offers at any time before or after the opening. The Commissioner may reject any offer that does not conform to the requirements of this Solicitation. The Commissioner will reject any offer as provided under 11 AAC 03.210 and any offer that proposes a Royalty Gas Price that is not equal to at least Royalty Value as it is defined in Article 3.3 of the *Sample Contract* ("the volume-weighted average of the amounts per Mcf paid in royalty by all lessees each month on total royalty gas not taken in-kind, plus any processing and field costs incurred by the State on the royalty gas which would not have been incurred if the royalty gas had been taken in value").
  17. **OPENING OF OFFERS.** Offers will be opened and considered in the following manner:
    - a. **OPENING.** Offers will be opened and read at a public meeting at 8:30 a.m. on **January 29, 2002.** Immediately after the opening, the Division of Oil and Gas will evaluate offers and the Commissioner will determine whether any offers should be rejected as provided in paragraph 16 of this Solicitation. The remaining offers will then be evaluated for contract awards.
    - b. **REJECTED OFFERS.** A prospective buyer who believes that its offer was rejected in error may request a conference with the Commissioner. A request for a conference must be received by mail or telefax no later than 4:30 p.m. Alaska Standard Time, **February 8, 2000,** at the Division of Oil and Gas, 550 West Seventh Avenue, Suite 800, Anchorage, Alaska 99501-3510, FAX at (907) 269-8938. Conferences will be held no later than **February 15, 2002.** At the

conference, any and all objections to the Commissioner's rejection of the offer must be presented in writing.

- c. **FINAL ACCEPTANCE OF OFFER.** On or before **February 15, 2002**, the Commissioner will announce the offers that have been awarded State Royalty Gas Sale Contracts.
  
18. **EXECUTION OF STATE ROYALTY GAS SALE CONTRACTS.** The Commissioner and the successful buyers will execute State Royalty Gas Sale Contracts approximately **March 15, 2002**. The parties to the State Royalty Gas Sale Contracts will agree that neither party may bring an action against the other concerning any provision of this Solicitation for Offers or the process that resulted in the State Royalty Gas Sale Contract between the parties, except as expressly provided in the State Royalty Gas Sale Contract.
  
19. **APPROVAL.** Legislative approval of the State Royalty Gas Sale Contract is required under AS 38.05.055. Prior to submission to the legislature for approval, the Alaska Royalty Oil and Gas Development Advisory Board must review the contract and make a recommendation to the Legislature.
  
20. **NON-ASSIGNABILITY OF RIGHTS.** Any rights, privileges and obligations of an individual, corporation, or other entity that may arise under this Solicitation may be exercised only by the individual, corporation, or entity to which they have accrued, unless the Commissioner consents in writing to an assignment of the rights, privileges, or obligations.
  
21. **TERMINATION OF SOLICITATION FOR OFFERS.** This Solicitation for Offers will be of no further force and effect and any rights, privileges, or obligations created or accruing under it shall terminate upon the earliest of the following occurrences: 1) the Commissioner withdraws the Solicitation for Offers before any offers are received by the State; 2) the Commissioner's rejection of all offers that are submitted under the Solicitation; or 3) the Commissioner's announcement of the offers that have been accepted for State Royalty Gas Sale Contracts. .
  
22. **TERMINATION OF RIGHTS ON DEFAULT.** In the event that a potential buyer fails to accept the State's award of the buyer's offer, or fails or refuses to execute the State Royalty Gas Sale Contract, any and all rights the potential buyer may have or have acquired under the Solicitation or any subsequent related event or procedure are terminated immediately upon the default.

In evaluating offers, the Commissioner will consider:

1. The cash value offered;
2. The projected effects of the sale, exchange or other disposal on the economy of the State;
3. The projected benefits of refining or processing the gas in the State;

4. The ability of the prospective buyer to provide refined products or by-products for distribution and sale in the State with price or supply benefits to the citizens of the State;
5. The revenue needs and projected fiscal condition of the State;
6. The existence and extent of present and projected local and regional needs for gas products and by-products, the effect of State or federal commodity allocation requirements which might be applicable to those products and by-products, and the priorities among competing needs;
7. The desirability of localized capital investment, increased payroll, secondary development and other possible effects of the sale, exchange or other disposition of gas or both;
8. The projected social impacts of the transaction;
9. The projected additional costs and responsibilities which could be imposed upon the State and affected political subdivisions by development related to the transaction;
10. The existence of specific local or regional labor or consumption markets or both which should be met by the transaction;
11. The projected positive and negative environmental effects related to the transaction; and
12. The projected effects of the proposed transaction upon existing private commercial enterprise and patterns of investments.

In addition, the Commissioner will consider the financial responsibility of the prospective buyers.

**State of Alaska**  
**Department of Natural Resources**

**Alaska North Slope**  
**Royalty Gas Sale**  
**Qualification to Offer**

An individual, corporation or other entity must be qualified with the Division of Oil and Gas before they are entitled to submit an offer for the Alaska North Slope Royalty Gas Sale. In order to apply for qualification, an applicant must submit this completed application form to the Division of Oil and Gas by the close of business on **January 17, 2002**, at the address listed below.

Name of Applicant: \_\_\_\_\_  
(Individual, Corporation or other entity name)

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_

Telephone: \_\_\_\_\_

In order to qualify, the applicant must be (A) any person who has reached the age of majority and who is a citizen of the United States; (B) any corporation organized and existing under and by virtue of the laws of the United States or of any state, territory or the District of Columbia and qualified to do business in Alaska; or (C) any association of the above.

A. Individuals must complete this section:

I, \_\_\_\_\_, certify, that as an applicant for qualification to offer in the State of Alaska Royalty Gas Sale, I am a citizen of the United States, and am of the age of majority. (The age of majority in Alaska is 18 years, except for those who are emancipated earlier by marriage or court order.)



Dated \_\_\_\_\_

Signature: \_\_\_\_\_  
(Full Name)

\_\_\_\_\_  
(Printed or Typed Name)

\_\_\_\_\_  
Street Address or P.O. Box

\_\_\_\_\_  
City, State, Zip Code

\_\_\_\_\_  
(Area Code) Telephone Number

\_\_\_\_\_  
Social Security Number \*

An agent who is signing this application form on behalf of an individual or other unincorporated entity must submit, with the application, an original or certified copy of a notarized power of attorney instrument authorizing the agent to act on behalf of the individual.

\*Provision of social security number is voluntary, used solely to prevent duplication of records and assure accuracy.

B. Corporations must have on file at the Division of Oil and Gas, or submit with this application, the following information:

1. A copy of the 2001 Certificate of Compliance for those corporations which have been incorporated in the State of Alaska (also known as "Domestic" corporations), or a Certificate of Authority from those corporations which have been incorporated outside the State of Alaska (also known as "Foreign" corporations).
2. A list of current officers authorized to sign a offer on behalf of the corporation.
3. An original or certified copy of a notarized power of attorney if an agent who is not a current officer of the corporation is authorized to act on its behalf.

If this information is already on file with the Division of Oil and Gas, the qualification number is \_\_\_\_\_.

If the information is not already on file with DO&G, it may be obtained from the Alaska Department of Community and Economic Development, Division of Banking, Securities and Corporations. Inquiries about incorporating in Alaska or qualifying a foreign corporation to do business in Alaska may also be addressed.

C. A partnership or unincorporated association must submit the following:

1. A statement describing the business relationship between members of the association or partnership.
2. A statement of qualifications for each member of the association or partnership attesting that each member has reached the age of majority. If some or all of the members are incorporated entities, all information required for corporations (described in Section B of this form) must also be submitted.
3. If an agent is signing the offer form on behalf of the partnership or association, an original or certified copy of a notarized power of attorney defining the agent's authority to sign the offer on behalf of the partnership or association must be attached to this application.

D. All Applicants must submit the following:

To qualify for eligibility to submit an offer in the Royalty Gas Sale, the applicant must demonstrate that it possesses the management skills and experience the Commissioner determines necessary to perform all terms of the Royalty Gas Sale contract. The Commissioner will consider the applicant's demonstrated capability in financial management, gas movement, and contract management.

Describe below, and on any additional pages necessary, the applicant's experience with the purchase and disposal of gas and the transportation facilities and equipment available to the applicant for performance under the sample royalty gas contract:

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The applicant must provide additional information if requested by the Division of Oil and Gas concerning the applicant's financial standing and financial capability to perform the terms of the State Royalty Gas Sale Contract. Upon the applicant's written request, the Commissioner will hold confidential, to the extent provided by law, cost data or financial information contained in the application that the applicant designates as confidential under AS 38.05.035(a)(9)(D).

The completed application must be addressed to the Division of Oil and Gas, Attn: Kevin Banks, 550 West Seventh Avenue, Suite 800, Anchorage, AK 99501-3510, and be received no later than 4:30 p.m., Alaska Standard Time, **January 17, 2002**.

Submission of false information in this application or in support of this application may result in the immediate withdrawal of the application or award, the cancellation of a contract if it has been executed or, if discovered prior to the opening, may result in disqualification from participating in the sale. In addition, the commissioner may disqualify a potential purchaser from participating in future sales of state royalty gas.

I certify that all of the information provided on this application or in support of this application is accurate and complete.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed or Typed Name

THE UNITED STATES OF AMERICA) ) ss.  
STATE OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, before me, the undersigned, a Notary Public duly commissioned and sworn, appeared \_\_\_\_\_, personally known to me, or proved to me on the basis of satisfactory evidence, to be the person whose name is subscribed to the within Statement.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public in and for the State of \_\_\_\_\_  
My commission expires \_\_\_\_\_

**State of Alaska  
Department of Natural Resources  
Alaska North Slope Royalty Gas Sale  
Offer**

Name of Offeror \_\_\_\_\_

Address \_\_\_\_\_

Contact Person \_\_\_\_\_ Phone No \_\_\_\_\_

To the Commissioner of Natural Resources:

In response to the State's Solicitation for Offers issued December 26, 2001, the undersigned offeror, having been qualified by the Commissioner, makes the attached offer for Alaska North Slope Royalty Gas.

Additional information that the Commissioner may read at the public hearing to be held February 1, 2002 is below:

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Offeror: \_\_\_\_\_

Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attach Proposal