

# Chapter Ten: Bidding Method and Lease Terms

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Under AS 38.05.180(f) and 11 AAC 83.100(a), the leasing of oil and gas resources must be by competitive bidding. AS 38.05.180(f)(3) provides a number of leasing methods for competitive bidding that the commissioner may adopt for an oil and gas lease sale:

- (1) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease;
- (2) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease and a fixed share of the net profit derived from the lease of not less than 30 percent reserved to the state;
- (3) a fixed cash bonus with a royalty share reserved to the state as the bid variable but no less than 12.5 percent in amount or value of the production removed or sold from the lease;
- (4) a fixed cash bonus with the share of the net profit derived from the lease reserved to the state as the bid variable;
- (5) a fixed cash bonus with a fixed royalty share reserved to the state of not less than 12.5 percent in amount or value of the production removed or sold from the lease with the share of the net profit derived from the lease reserved to the state as the bid variable;
- (6) a cash bonus bid with a fixed royalty share reserved to the state based on a sliding scale according to the volume of production or other factor but in no event less than 12.5 percent in amount or value of the production removed or sold from the lease;
- (7) a fixed cash bonus with a royalty share reserved to the state based on a sliding scale according to the volume of production or other factor as the bid variable but not less than 12.5 percent in amount or value of the production removed or sold from the lease.

For each lease sale under the 10-year Cook Inlet Areawide Best Interest Finding, the commissioner will adopt the bidding method or methods under AS 38.05.180(f) as the commissioner determines is in the best interests of the state. The bidding method or methods may not be the same for each lease sale over the 10-year term of this best interest finding, but the method for each sale will be adopted from the methods set out in AS 38.05.180(f)(3). The bidding method or methods adopted for a particular lease sale will be published in the pre-sale notice describing the interests to be offered, the location and time of the sale, and the terms and conditions of the sale. (AS 38.05.035(e)(6)(F)).

