



February 1, 2013

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**SALE ANNOUNCEMENT
AUGUSTINE ISLAND GEOTHERMAL
COMPETITIVE LEASE SALE NO. 4**

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under Alaska Statute (AS) 38.05.945(a)(4) that it is offering lands on and around Augustine Island for geothermal leasing by competitive sealed bid.

Bid opening will begin at 9:00 a.m. on May 8, 2013, at the Dena'ina Civic and Convention Center, located at 600 W. 7th Avenue, Anchorage.

The Augustine Island geothermal sale area encompasses approximately 65,992 acres of the entire Augustine Island, including some tidelands and adjacent waters within approximately 3 miles of the island, and excludes near shore tidelands of the mainland to the west. The sale area is divided into 26 tracts ranging in size from 2,489 to 2,560 acres. The state owns the land within proposed disposal area. Augustine Island is located in the Cook Inlet near Kamishak Bay, Alaska.

The DO&G will prepare a tract map that depicts the location of all tracts within the sale area. Legal descriptions for the tracts are also available. Tracts should be identified by tract number for the sealed bids. **The tract map will not be released until after March 18, 2013.**

The state reserves the right to delete or defer any additional acreage or tracts from the sale at any time prior to issuance of the lease. Please check the Attachment A for updates to the list of deferred tracts at the DO&G website at <http://dog.dnr.alaska.gov/Leasing/GeothermalLeasing.htm>.

Written Finding of the Director

On January 14, 2013 the director of DO&G, with the concurrence of the commissioner of the ADNR, issued a written final finding and decision under AS 38.05.035(e) and 11 AAC 84.700(b). The director determined that the potential benefits of the Augustine Island geothermal lease sale, as conditioned, outweigh the possible adverse impacts, and that the sale will best serve the interest of the State of Alaska. The finding sets forth the facts, policies, and applicable laws upon which the director based his decision.

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 required by law, to ensure 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, which may include limits on surface entry on the lease tracts, 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 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. Some proposed 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 **one dollar (\$1.00) 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.

Primary Term of Leases

All leases will have an initial primary term of ten (10) years and may be renewed for an additional term of five (5) years if the lessee is actively engaged in drilling operations.

Royalty Rates

Royalty rates are set by AS 38.05.181(g) at "...1.75 percent of the gross revenues derived from the production, sale, or use of geothermal resources under lease during the first ten (10) years immediately following the date the geothermal resource first generates gross income and 3.5 percent of the gross revenues derived from the production, sale or use of geothermal resources under the lease after that first ten (10) year period."

Twenty years (20) after the initiation of commercial production and at ten (10) year intervals thereafter rentals and royalties shall be renegotiated as allowed under AS 38.05.181(e).

Lease Forms

Leases will be executed on Competitive Geothermal Resources Lease Form No. DO&G 201208GL. A sample lease form is available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/GeothermalLeasing.htm>.

Rental

Annual rental will be \$3.00 per acre. The state is not required to give notice that rentals are due by billing the lessee. The lessee is responsible for timely payments.

Twenty years (20) after the initiation of commercial production and at ten (10) year intervals thereafter rentals and royalties shall be renegotiated as allowed under AS 38.05.181(e).

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 (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 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 Mt. Augustine Island Geothermal Lease Sale No. 4, including the following documents, are on the DO&G website at <http://dog.dnr.alaska.gov/index.htm>.

- Sale Announcement
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Lease Form # DO&G 201208GL
- Mitigation Measures
- Bid Form
- Final Finding (January 14, 2013)
- Tract Map (**To be released after March 18, 2013**)

Paper copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$50. To order any of these documents, please contact:

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Copies of these documents have been provided to the following locations: Public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia; the Matanuska-Susitna Planning Department offices in Palmer; the Kenai Peninsula Borough Planning Department offices in Soldotna; the Anchorage Municipal Clerk's office; 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 format upon request. Please contact Allen R. Eddy Jr. at (907) 375-8259 or allen.eddy@alaska.gov to make any necessary arrangements.



W.C. Barron
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