

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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July 17, 2008

## SALE ANNOUNCEMENT

### MOUNT SPURR GEOTHERMAL LEASE SALE NO. 3 COMPETITIVE SEALED BID

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G) is giving notice under AS 38.05.945(a)(4) that it is offering lands along the southern flanks of Mount Spurr for geothermal leasing by competitive sealed bid. Bid opening for the Mount Spurr Geothermal Lease Sale No. 3 will begin at **9:00 a.m. on September 10, 2008** at the Atwood Building, Suite 240, 550 West 7<sup>th</sup> Avenue, in Anchorage.

The Mount Spurr geothermal sale area encompasses 36,057.13 acres divided into 16 tracts ranging in gross area from 250 to 2,560 acres. The sale area consists of state-owned uplands lying about 40 miles west of the village of Tyonek, northwest of Trading Bay along the southern flank of Mount Spurr, including the east end of Chakachamna Lake and a portion of the Chakachatna River. The sale area is located entirely within the Kenai Peninsula Borough. Activities resulting from this sale may affect the communities of Tyonek and Beluga.

DO&G has prepared 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 bid auction.

#### **Best Interest Finding**

On June 16, 2008 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 AS 38.05.181 that the potential benefits of the Mount Spurr 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 set 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 DO&G the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that this 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, 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

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of lease related activities. Enforcement will be imposed through approval of plans of operations, exploration and development, and other permits. 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. Some proposed activities may also be subject to local land use regulations.

### **Notice to Bidders**

ADNR will notify all interested parties of additional mitigation measures or restrictions, should those become necessary, as soon as possible.

### **Tract Deletions and Deferrals**

**The state reserves the right to withdraw any acreage or tract from the sale at any time before the issuance of a lease.**

### **Bid Submission**

Bids must be received by DO&G no later than 4:00 p.m. September 8, 2008.

### **Bidding Method**

The bidding method for all tracts will be cash bonus, sealed bid 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.

### **Length of Lease**

Leases for all tracts will have a primary term of ten (10) years, renewable for an additional five years. Leases may be extended for the duration of commercial production.

### **Royalty Rate**

All leases will have a royalty rate of **ten percent (10.0%) of the gross revenues derived from the production, sale, or use of geothermal resources under the lease.**

### **Lease Form**

Leases will be executed on Competitive Geothermal Resources Lease Form No. DO&G 200807GL. The geothermal lease is currently in draft form. Check the division's web site at <http://www.dog.dnr.state.ak.us/oil/> for posting of the final lease form.

### **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.

### **Bonding**

Before beginning lease operations, a surface damage bond of a minimum of \$10 per acre or \$10,000, whichever is greater, per operation is required under 11 AAC 84.790. The commissioner

may require additional unusual-risk bonds as necessary. Additional bonding may be required depending on the operation or activities proposed.

**Sale Information**

Copies of the final finding are available for public review at the following locations: the public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point, Tyonek, and Seldovia; the Loussac Public Library in Anchorage; the Matanuska-Susitna Borough (MSB) Planning Department offices in Palmer; the Kenai Peninsula Borough (KPB) Planning Department offices in Soldotna; and the Municipal Clerk's Office of the Municipality of Anchorage (MOA). Complete details regarding the Mount Spurr Geothermal sale, including the following documents, are on the DO&G's Webpage at <http://www.dog.dnr.state.ak.us/>:

Sale Announcement

Instructions to Bidders with tract acreage figures (Attachment A)

Bid Form

June 16, 2008 Final Finding of the Director, which includes mitigation measures and lease terms

Tract Map

Legal Descriptions for sale tracts

Copies of these documents, as well as other information, are available by contacting Tim Jones, Division of Oil and Gas, 550 West 7<sup>th</sup> Avenue, Suite 800, Anchorage, Alaska 99501-3560; by calling during regular office hours at (907) 269-8814; or by email to [timothy.jones@alaska.gov](mailto:timothy.jones@alaska.gov).

**Americans with Disabilities Act Compliance**

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 Tim Jones at (907) 269-8814 to make any necessary arrangements.



Kevin Banks,  
Acting Director