

January 2012

STATE OF ALASKA
FIVE-YEAR PROGRAM
OF PROPOSED
OIL AND GAS
LEASE SALES



Alaska Department of
NATURAL
RESOURCES
DIVISION OF OIL & GAS

Cover Photo: TAPS. Photo courtesy of Mark Morones

**This publication was produced by the Department of Natural Resources,
Division of Oil and Gas. It was printed at a cost of \$6.63 per copy.
The purpose of the publication is to meet the mandate of AS 38.05.180
200 copies were printed in Anchorage, Alaska**

STATE OF ALASKA

**FIVE-YEAR PROGRAM
OF PROPOSED
OIL AND GAS
LEASE SALES**

**With Reports On
Exploration Licensing
Geothermal Lease Sales
and Financial Incentives
and Tax Credit Programs**

**Sean Parnell
Governor**

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Commissioner
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January 2012

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Introduction

The Alaska State Legislature has found that “the people of Alaska have an interest in the development of the state’s oil and gas resources” and has specified in AS 38.05.180 that the commissioner of the Department of Natural Resources (DNR) prepare a five-year proposed oil and gas leasing program.

The Five-Year Oil and Gas Leasing Program provides a stable and predictable schedule of proposed lease sales, which helps promote the further development of Alaska’s petroleum resources. This program has become a reliable way for the petroleum industry to plan for exploration and development expenditures. Business and labor use the program to prepare for resultant economic opportunities.

The program is updated annually and is available on the Division of Oil and Gas Web site. This document presents DNR’s proposed lease sales for 2012 through 2016.

DNR has identified five areas of moderate to high potential for oil and gas development and designated these areas for leasing through competitive bid sales. This report contains a brief description of the process leading up to a lease sale, a brief description of each sale area, and the program of sales for the next five years. A list of all state oil and gas lease sales held since 1959 is listed in the “Summary of State Competitive Lease Sales” starting on page 38.

A total of 25 proposed areawide lease sales are scheduled over the next five years, with one sale scheduled annually for each of the following areas: Alaska Peninsula, Cook Inlet, Beaufort Sea, North Slope, and North Slope Foothills. Fact sheets and maps describing the proposed sale areas begin on Page 14.

Article VIII, Section 1 of the Alaska Constitution states that “[i]t is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.” Section 2 further states that “[t]he legislature shall provide for the utilization, development, and conservation of all natural resources be-



Photo: DOG Staff

DOG Geologist Laura Gregersen visiting a Cook Inlet facility.

longing to the state, including land and waters for the maximum benefit of its people.”

Although the primary purpose of leasing is to enable and manage oil and gas development on state lands and realize the subsequent economic benefits¹, the leasing program itself has been a significant revenue source.

During 2011, lease tracts were sold in 5 sales, resulting in an estimated \$32 million in bonus-bid income to the state². A report on the final results of the 2010 lease sales and preliminary results of the 2011 lease sales is included in this report.

Approximately 92 percent of the state’s income during Fiscal Year 2011 was generated through the process that starts with the state’s oil and gas lease sales.³

In addition to oil and gas lease sales, DNR authorizes and manages the exploration licensing program for areas outside the areawide sale boundaries. A summary of the program and the status of exploration licensing areas begin on page 46.

DNR is also responsible for geothermal leasing. Information about this program can be found on page 48.

¹As a result of oil and gas revenue from bonus bids, lease rentals, and royalty payments (including federal shares), and settlements during Fiscal Year 2011, approximately \$ 1.7 billion was deposited into the general fund and \$0.8 billion into the Permanent Fund and School Fund.

²Preliminary results are subject to title and administrative review, and may change significantly.

³FY2011 taxes, royalty, settlement, rental, federal share, and bonus revenue as percentage of general fund unrestricted revenue.

Five-Year Program of Proposed Oil & Gas Lease Sales

Five-Year Program for Oil and Gas Areawide Sales 2012-2016

| Sale Area | Annually Held In |
|--------------------------------|------------------|
| Alaska Peninsula Areawide | Spring |
| Cook Inlet Areawide | Spring |
| Beaufort Sea Areawide | Fall |
| North Slope Areawide | Fall |
| North Slope Foothills Areawide | Fall |

DNR expects to continue areawide leasing for the next five-year program cycle, annually offering the five existing sale areas for leasing by competitive bidding.

The best interest finding issued for each sale area allows DNR to conduct areawide lease sales for up to ten years without repeating the best interest finding process each year. However, before holding a sale in the years following the issuance of the finding, DNR must determine whether a supplement to the finding is required.

DNR annually calls for comments from the public before a proposed lease sale, requesting substantial new

information, such as reports, data, and research that has become available over the past year.

Based on a determination of whether or not the information justifies a supplement, DNR issues either a “Decision of New Substantial Information” and a supplement to the finding, or a “Decision of No New Substantial Information” at least 90 days before the lease sale.

Several months before a scheduled sale, DNR prepares a geologic and economic evaluation of the sale area to determine the bidding method, leasing method, and the lease terms for the sale.

Areawide Leasing

To achieve stability and predictability in the oil and gas leasing program, and in response to industry’s request for more frequent sales, the state holds competitive annual areawide leasing in geographic regions of the state with known potential for oil and gas discoveries. Under areawide leasing, the state offers all available state acreage within those regions for lease by competitive bidding at annual lease sales.

Conducting annual areawide sales is cost-effective. It allows companies to plan for and develop exploration strategies and budgets years in advance, and to bid on any available acreage within an entire region. A regular schedule of areawide lease sales allows for quick turnaround of expired or terminated leases, or leases contracted out of units, for reoffer in the next annual sale. The result is more efficient exploration and earlier

development. It also allows smaller companies and individuals to acquire leases in areas of less interest to the major oil companies. The state has conducted annual areawide sales each year since 1998, totaling 56 sales.¹⁾

Administrative Process

DNR generally divides each lease sale area into tracts, irrespective of ownership. Because of the large number of tracts involved, the extent of the state’s ownership interest in these tracts is not determined before a lease sale. Instead, after a lease sale, DNR verifies state title and land status only for the acreage within tracts that receive bids. A sale tract may contain land that the state cannot legally lease (e.g., land that is within an existing lease or is federal, Native, or private land). For bidding purposes, DNR assigns an estimated acreage figure to

each tract, and the per acre bonus bid reflects the assigned acreage. The actual acreage available may differ, depending on the title and land status within each tract. Acreage not owned by the state, already leased, clouded by title claims, or withdrawn is excluded from the lease. Only free and unencumbered state-owned lands are included in any issued lease.

DNR publishes areawide tract maps showing generalized land status to assist potential bidders. However, it is the bidder's responsibility to determine availability of the land within a tract before bidding. Current or more detailed title or land status information for a particular tract may be obtained from state land records at DNR's Public Information Center, located in Anchorage at 550 West 7th Ave., Suite 1260; phone (907) 269-8400; or the DNR Web site at <http://plats.landrecords.info/>.

DNR sends out a public notice for the competitive lease sale 45 to 90 days before the sale. Sealed bids must be received by a specified date as stated in the Instructions to Bidders. Bids received are opened and read in public at the sale location, and apparent high bidders are announced.

Once state title to the tracts receiving bids is verified and the acreage calculated, the bonus bid amounts are adjusted and the lease is issued based on the actual available acreage. Depending on the number of tracts receiving bids and the complexity of the land ownership, it may take several months following the lease sale before the leases are issued.

Leasing Methods

Alaska has several leasing method options designed to encourage oil and gas exploration and maximize state revenue, as described in AS 38.05.180(f). These methods include combinations of fixed and variable bonus bids, royalty shares, and net profit shares. Minimum bids for state leases vary but have recently ranged from \$5 to \$25 per acre. Fixed royalty rates are generally 12 1/2 percent or 16 2/3 percent, although some have been as high as 20 percent. A sliding scale royalty has also been used. Primary lease terms are initially set between five and ten years.

¹⁾ 1998 to 2011 areawide sales: 14 were in the North Slope, 13 in Cook Inlet (added in 1999), 12 in Beaufort Sea (added in 2000), 11 in North Slope Foothills (added in 2001), and 6 in Alaska Peninsula (added in 2005).

Best Interest Findings

Before disposing of an interest in state land, including an oil and gas lease sale, DNR must prepare a written finding that determines if the sale is in the best interest of the state.

If a finding determines it is in the state's best interest to hold an oil and gas lease sale in a particular area, DNR may conduct lease sales in that area for ten years without having to repeat the entire best interest finding process. However, before each subsequent sale, DNR calls for comments from the public and determines whether new information received justifies a supplement to the most recent best interest finding.

The development of a new best interest finding is a lengthy process that begins years before a sale. The pro-

cess involves the participation of state agencies, with DNR serving as the lead, along with federal agencies, Native corporations, local governments, non-governmental agencies, industry, and the public.

In the preliminary written finding for an oil and gas lease sale, DNR considers and discusses the facts that are known at the time of preparation of the finding and that are material to the following: property descriptions, petroleum potential, fish and wildlife species and their habitats, current and projected uses, governmental powers to regulate oil and gas, reasonably foreseeable cumulative effects, lease stipulations and mitigation measures, methods most likely to be used to transport oil or gas, reasonably foreseeable effects on municipali-

ties and communities, bidding methods, and the basis for the finding that, on balance, leasing the area would be in the state's best interest.

A preliminary finding is made available to the public at least six months before a sale and is followed by an opportunity for public comment for a period of at least 60 days. DNR gives public notice of a preliminary written finding by publishing legal notices in newspapers, making public service announcements, posting in conspicuous locations such as post offices and libraries, notifying parties known or likely to be affected, and other methods (such as the State of Alaska online public notice) calculated to reach affected parties.

During the public comment period, DNR may conduct workshops or hold open houses, public hearings, or public meetings in one or more of the affected communities. If the land is within the boundaries of a municipality or a regional corporation, that municipality or regional corporation may also hold a hearing with department personnel attending. Comments received during the comment period help in developing a final

finding. DNR releases the final finding, which determines whether the sale is in the state's best interests, at least 90 days before a scheduled sale.

Annual Lease Sales

In the ten years following the issuance of a best interest finding, DNR annually issues a "Call for New Information." The Call for New Information is a request for any substantial new studies, data, or research that has become available over the past year. The Call for New Information provides opportunity for public comment for a period of at least 30 days. Based on the information received, the commissioner determines whether it justifies supplementing the finding. The commissioner issues a supplement to the finding or a "Decision of No New Substantial Information" at least 90 days before the lease sale. The supplement has the status of a final written best interest finding.

Mitigation measures identified in the best interest finding are included as terms of the lease in all sales during the effective period of a finding.

Best Interest Finding Schedule

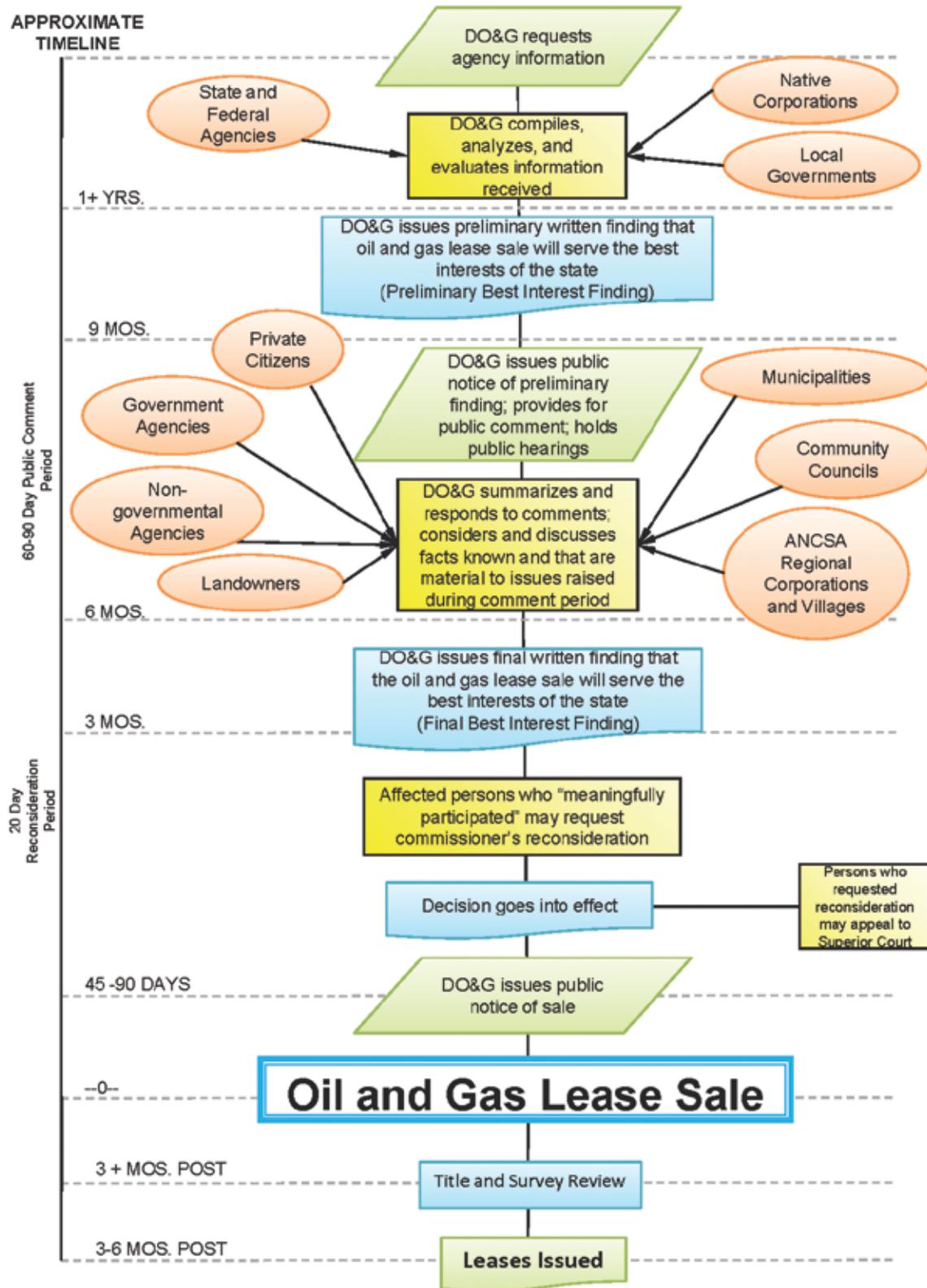
Once issued, a best interest finding is valid for ten years. The schedule for issuing new findings was modified in 2009 to spread the workload more evenly throughout the ten-year cycle. One of the five areawide best interest findings is now scheduled to be rewritten every two years. Findings for Cook Inlet and Beaufort Sea were issued in 2009, and a new finding for North Slope Foothills was issued in May 2011. The schedule for issuing 10-year best interest findings is provided below.

| Areawide O&G Sale Area | Best Interest Finding Issued | Best Interest Finding Expires | New Finding Process Begins | Estimated Completion |
|------------------------|------------------------------|-------------------------------|----------------------------|----------------------|
| Alaska Peninsula | July 25, 2005 | July 24, 2015 | 2011 | 2013 |
| Cook Inlet | January 20, 2009 | January 19, 2019 | 2015 | 2017 |
| Beaufort Sea | November 9, 2009 | November 8, 2019 | 2017 | 2019 |
| North Slope | July 15, 2008 | July 14, 2018 | 2013 | 2015 |
| North Slope Foothills | May 26, 2011 | May 25, 2021 | 2018 | 2021 |



Photo: DOG Staff
Snowy owl perching on pipeline, North Slope.

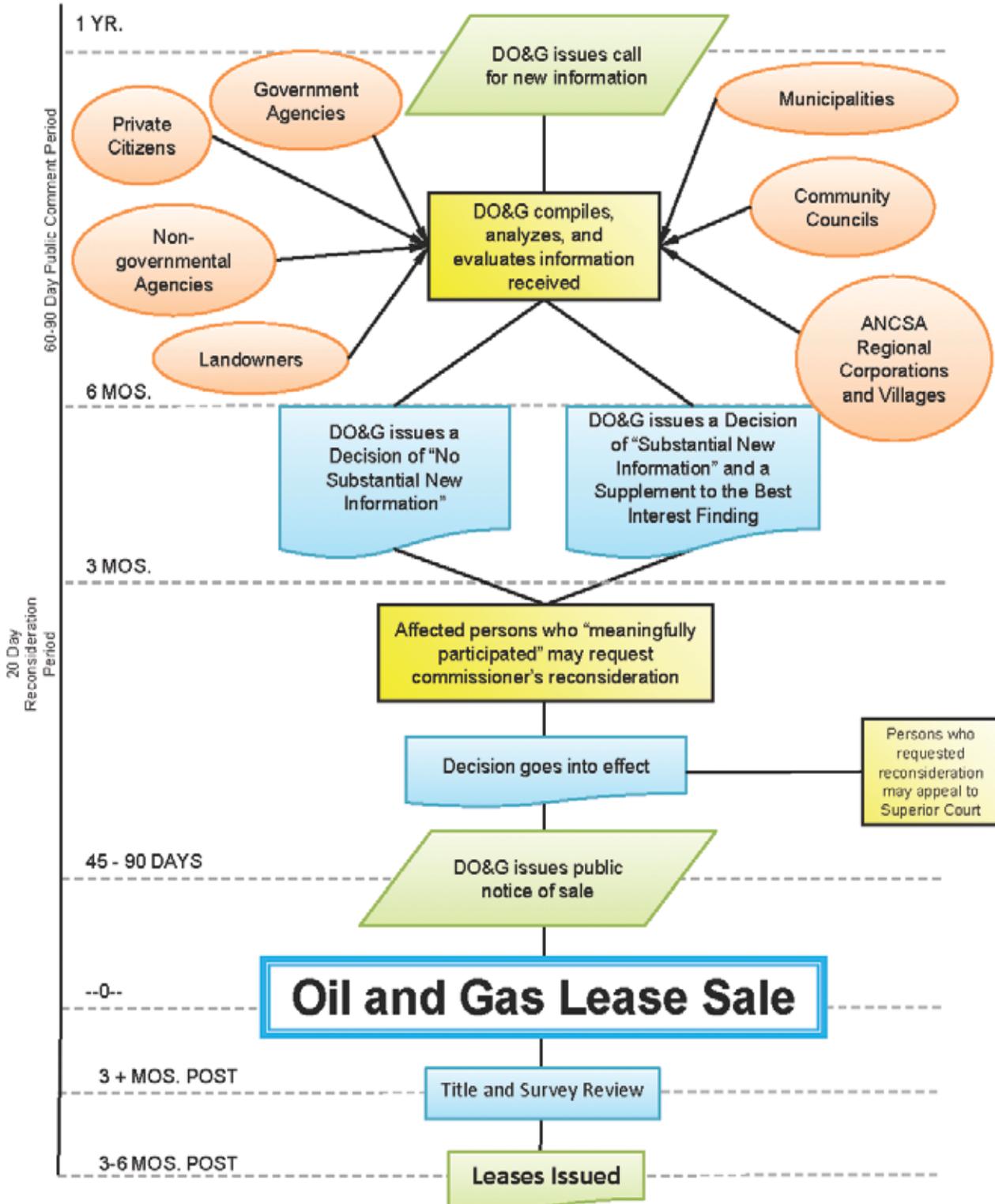
Lease Sale Process With New Best Interest Finding

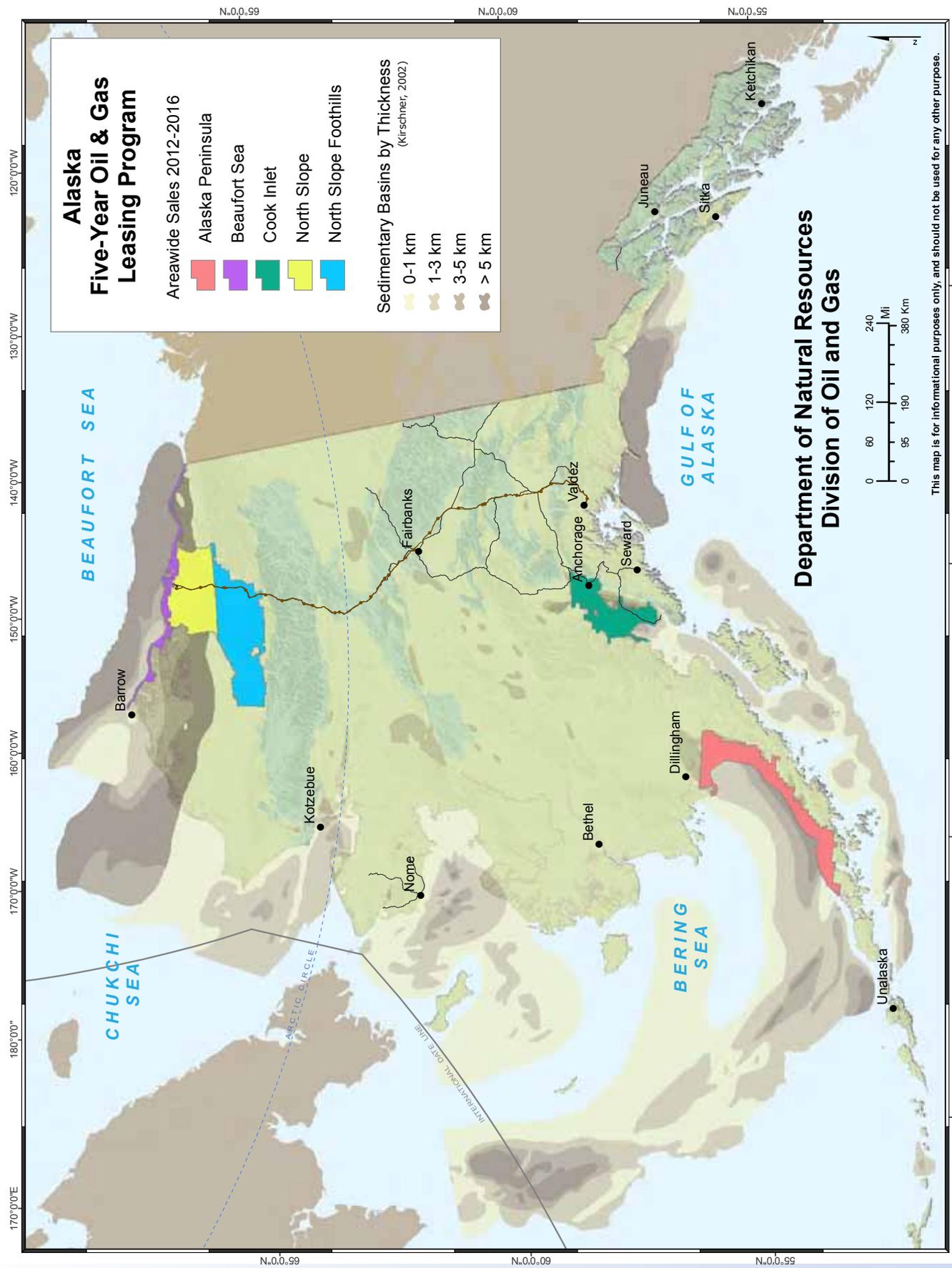


Annual Lease Sale Process

(between scheduled best interest findings)

APPROXIMATE TIMELINE





This map is for informational purposes only, and should not be used for any other purpose.

Alaska Peninsula Areawide Oil and Gas Lease Sale

Annually Held in Spring

Property Description and Location: The proposed 2012-2016 Alaska Peninsula oil and gas lease sale area is located on the north side of the Alaska Peninsula. It stretches from the Nushagak Peninsula in the north, south and west to the vicinity of Cold Bay. The lease sale area covers about 5.8 million acres, and is divided into 1,047 tracts ranging in size from 1,280 to 5,760 acres.

Approximately 1.75 million acres of the gross sale area are offshore. The lease sale area contains tracts in which the state owns both the land estate and the mineral estate; and tracts where the state owns the mineral estate while the land estate may be privately owned or owned by a municipality. The most recent best interest finding for the Alaska Peninsula was issued on July 25, 2005. On October 12, 2011, DNR called for comments from the public requesting new information that has become available since the most recent best interest finding. Based on a determination of whether substantial new information has become available that justifies a supplement to the most recent best interest finding, DNR will issue either a "Decision of New Substantial Information" and a supplement to the finding or a "Decision of No New Substantial Information" at least 90 days before a proposed Spring 2012 lease sale.

Petroleum Potential: Petroleum potential in the area is considered low to moderate.

Other Resource Issues: The proposed lease sale area contains some of the state's most productive fish and wildlife populations.

A wide variety of mammals inhabit the region including caribou, brown bear, moose, Pacific walrus, beluga whale, gray whale, Steller sea lion, harbor seal, and sea otter. The Steller sea lion is listed as threatened under the federal Endangered Species Act, and several established rookery sites and critical habitat areas exist within Bristol Bay. The spotted seal is also listed as threatened under the Endangered Species act. No critical habitat is established for the spotted seal since their southern distinct population segment occurs outside the United States. The southwest Alaska Distinct Population Segment of the northern sea otter is listed as threatened under the federal Endangered Species Act, and critical habitat is designated in the Port Moller and Herendeen

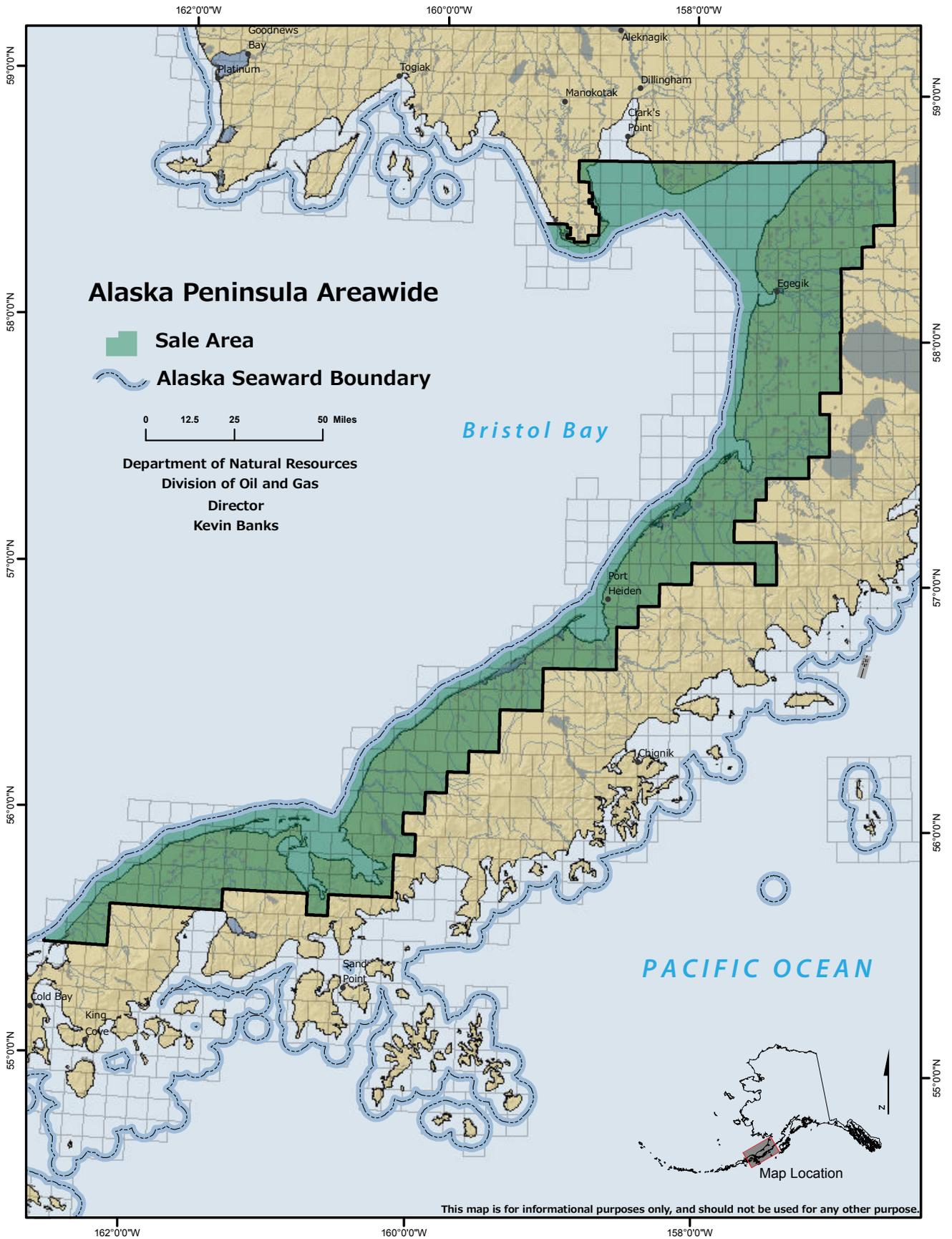
Bay area. The area provides staging, feeding, and nesting habitat for hundreds of species of shorebirds and waterfowl, numbering in the millions of birds. All five species of Pacific salmon occur in the area, as well as Dolly Varden, rainbow trout, Arctic grayling, burbot, and other fishes. Fish and wildlife populations in the area are extensively harvested for subsistence and sport use, and significantly contribute to the local economy.

Municipalities and Communities: Portions of the proposed lease sale area lie within the boundaries of the Bristol Bay, Lake and Peninsula, and Aleutians East boroughs and the Dillingham Census Area.

Municipalities & Communities

| Community | Population (2010) |
|--------------------------|-------------------|
| Aleutians East Borough | 3,141 |
| Bristol Bay Borough | 997 |
| Lake & Peninsula Borough | 1,631 |
| Dillingham | 2,329 |
| Cold Bay | 108 |
| Port Heiden | 102 |
| Egegik | 109 |
| Pilot Point | 68 |
| Naknek | 544 |
| King Salmon | 374 |
| South Naknek | 79 |
| Nelson Lagoon | 52 |
| Ugashik | 12 |

Source: http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm



Cook Inlet Areawide Oil and Gas Lease Sale

Annually Held in Spring

Property Description and Location: The 2012-2016 Cook Inlet Areawide oil and gas lease sale area consists of state-owned uplands in the Matanuska and Susitna river valleys generally south and west of Houston and Wasilla, the Anchorage Bowl, the western and southern Kenai Peninsula from Point Possession to Anchor Point, and the western shore of Cook Inlet from the Beluga River to Harriet Point. The lease sale area also includes the tide and submerged lands in upper Cook Inlet from Knik Arm and Turnagain Arm south to Anchor Point and Tuxedni Bay. The area is bounded on the east by the Chugach and Kenai mountains and on the west by the Aleutian Range. The area is about 4.2 million acres and is divided into 815 tracts ranging from 640 to 5,760 acres.

A best interest finding for Cook Inlet was issued on January 20, 2009. On October 12, 2011, DNR called for comments from the public requesting new information that has become available since the most recent best interest finding. Based on a determination of whether substantial new information has become available that justifies a supplement to the most recent best interest finding, DNR will issue either a “Decision of New Substantial Information” and a supplement to the finding, or a “Decision of No New Substantial Information” 90 days before a proposed Spring 2012 lease sale.

Petroleum Potential: Petroleum potential in the area is considered low to moderate.

Other Resources: The Cook Inlet region is extensively used for recreation, subsistence and sport fishing, hunting and gathering, and commercial and personal use fishing. Five species of Pacific salmon are commercially fished throughout Cook Inlet. Numerous important anadromous fish streams are within the lease sale area. The area provides important habitat for moose, black and brown bear, caribou, and waterfowl.

Marine mammals found near or within the area include beluga whales, Steller sea lions, sea otters, and harbor seals. Species listed as threatened or endangered under the federal Endangered Species Act that inhabit the lease sale area include Steller’s eider (Alaska breeding population, threatened), Cook Inlet beluga whale (endangered), and Steller sea lion (east of 144 degrees longitude, threatened; west of 144 degrees longitude, endangered). The southwest Alaska Distinct Population Segment of the northern sea otter is listed as threatened under the federal Endangered Species Act, and critical habitat is designated around Chisik Island and Tuxedni

Bay. On April 8, 2011, the National Marine Fisheries Service designated critical habitat for beluga whales in the upper portions of Cook Inlet, Turnagain Arm and Knik Arm and in the middle of Cook Inlet, along the western shore of lower Cook Inlet, and Kachemak Bay along the eastern shore of Cook Inlet near Homer.

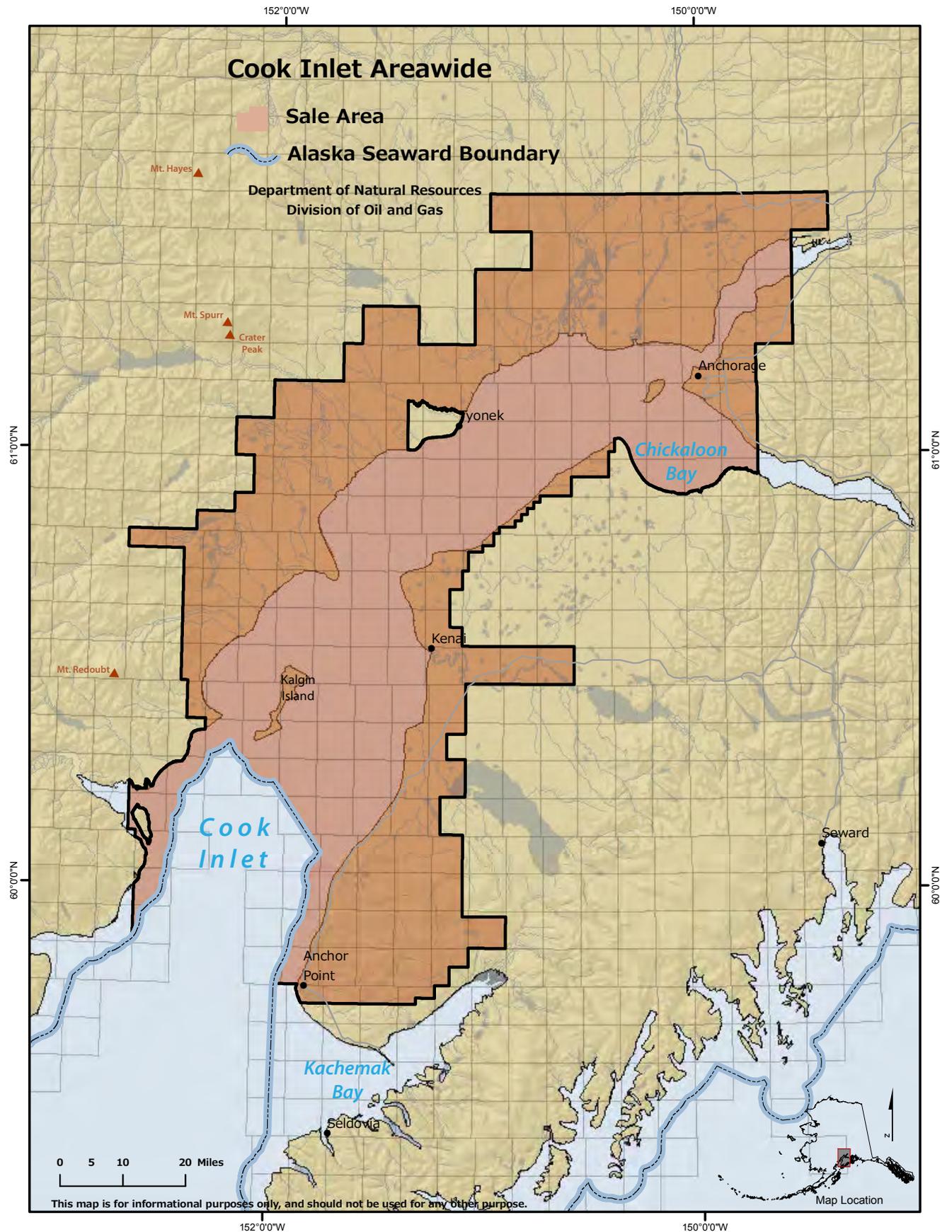
A number of state and federal wildlife refuges, critical habitat areas, recreation areas, and parks exist within or near the lease sale area. These areas encompass important fish and wildlife habitat, and have significant scenic and recreational value.

Municipalities and Communities: The sale area is within the boundaries of the Matanuska-Susitna Borough, the Municipality of Anchorage, and the Kenai Peninsula Borough.

Cook Inlet Municipalities & Communities

| Community | Population (2010) |
|---------------------------|------------------------------------|
| Municipality of Anchorage | 291,826 |
| Kenai Peninsula Borough | 55,400 |
| Matanuska-Susitna Borough | 88,995 |
| Kenai | 7,100 |
| Palmer | 5,937 |
| Homer | 5,003 |
| Seldovia | 255 |
| Soldotna | 4,163 |
| Wasilla | 7,831 |
| Houston | 1,912 |
| Anchor Point | 1,930 |
| Big Lake | 3,350 |
| Clam Gulch | 176 |
| Cohoe | 1,364 |
| Eklutna | not defined as community in census |
| Happy Valley | 593 |
| Hope | 192 |
| Kalifornsky | 7,850 |
| Kasilof | 549 |
| Knik-Fairview | 14,923 |
| Nanwalek | 254 |
| Nikiski | 4,493 |
| Nikolaevsk | 318 |
| Port Graham | 177 |
| Ridgeway | 2,022 |
| Salamatof | 980 |
| Seldovia | 165 |
| Village | |
| Sterling | 5,617 |
| Tyonek | 171 |

Source: http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm



Beaufort Sea Areawide Oil and Gas Lease Sale

Annually Held in Fall

Property Description and Location: The 2012-2016 oil and gas lease sale area of the Beaufort Sea consists of state-owned tide and submerged lands located along the Beaufort Sea coast, between the U.S.-Canada border and Point Barrow. The lease sale area also includes some coastal uplands between the Canning and Colville Rivers.

The lease sale area encompasses about 2 million acres divided into 576 tracts, ranging in size from 640 to 5,760 acres.

A new best interest finding for the Beaufort Sea was issued on November 9, 2009. On March 21, 2011, DNR called for comments from the public requesting substantial new information that had come available since the most recent best interest finding. DNR issued a "Decision of New Substantial Information" on July 11, 2011. The Beaufort Sea 2011 lease sale was held on December 7, 2011.

Petroleum Potential: The petroleum potential in the area is considered moderate to high.

Other Resources: The marine and coastal environments along the Beaufort Sea lease sale area provide denning habitat for polar bears and pupping habitat for ringed seals. Bowhead and beluga whales migrate through the lease sale area during spring and fall. Numerous species of waterfowl, shorebirds, and seabirds migrate along the Beaufort Sea and nest, stage, and molt in the lagoon areas. Nearshore waters provide habitat

for many fish species. Caribou, brown bear, and moose are found along major rivers. Residents of Barrow, Nuiqsut, and Kaktovik use the area's fish and wildlife resources for subsistence; fall and spring bowhead whale hunts are especially important.

Four species found in the lease sale area are listed as threatened or endangered under the federal Endangered Species Act: polar bear (threatened), spectacled eider (threatened), Steller's eider (threatened), and bowhead whale (endangered).

Bowhead whales are classified as depleted under the Marine Mammal Protection Act. However, NMFS has not designated bowhead whale critical habitat under the Endangered Species Act because "the decline and reason for listing the species was overexploitation by commercial whaling, and habitat issues were not a factor in the decline; there is no indication that habitat degradation is having any negative impact on the increasing population in the present; the population is abundant and increasing; and existing laws and practices adequately protect the species and its habitat."

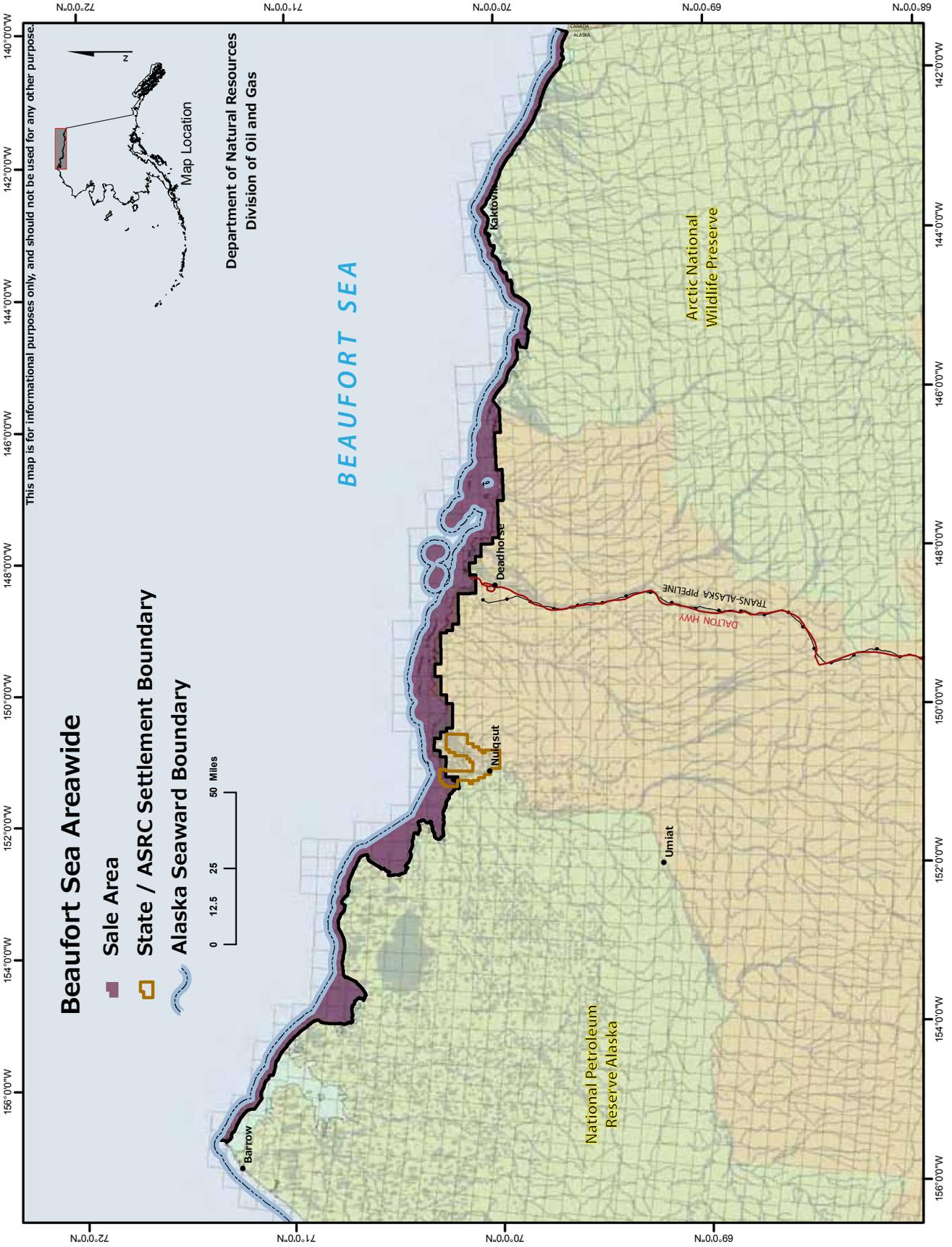
The USFWS designated 187,157 square miles as polar bear critical habitat, including sea ice in the Beaufort Sea and denning habitat on the North Slope.

Municipalities and Communities: The North Slope Borough's comprehensive plan and land management regulations may impose restrictions on oil and gas activity in the lease sale area.

Municipalities & Communities

| Community | Population (2010) |
|-----------------------|-------------------|
| North Slope Borough | 9,430 |
| Barrow | 4,212 |
| Atkasuk | 233 |
| Kaktovik | 239 |
| Prudhoe Bay/Deadhorse | 2,174 |
| Nuiqsut | 402 |

Source: http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm

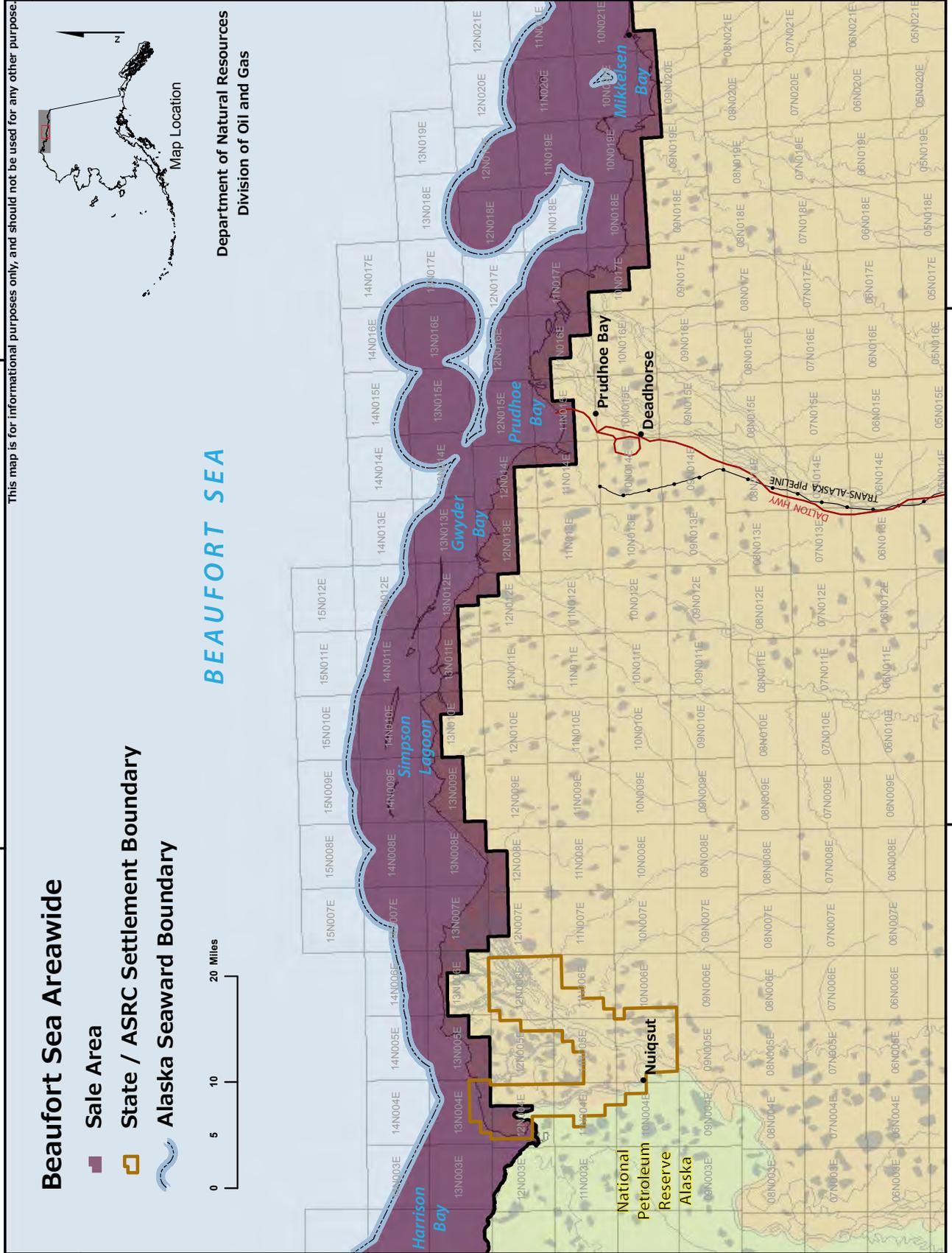


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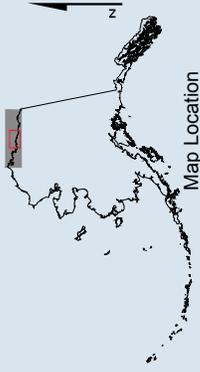
Beaufort Sea Area-wide

- Sale Area
- ▭ State / ASRC Settlement Boundary
- ⋯ Alaska Seaward Boundary



BEAUFORT SEA

Department of Natural Resources
Division of Oil and Gas



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148°0'0"W

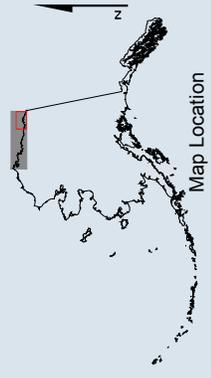
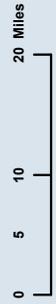
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Beaufort Sea Area-wide

■ Sale Area

~ Alaska Seaward Boundary



Department of Natural Resources
Division of Oil and Gas

BEAUFORT SEA





Photo: DOG Staff

Cook Inlet platforms



Photo: DOG Staff

Production facility control room, North Slope.



Photo: DOG Staff

Furie (formerly Escopeta) jack-up rig rigging up shortly after arriving in Cook Inlet. This is the first jack-up rig in Cook Inlet since 1993.

North Slope Areawide Oil and Gas Lease Sale

Annually Held in Fall

Property Description and Location: The 2012-2016 North Slope Areawide oil and gas lease sale area consists of all state-owned lands between the National Petroleum Reserve-Alaska and the Arctic National Wildlife Refuge (ANWR), and from the Beaufort Sea in the north to the Umiat Meridian Baseline in the south.

The gross lease sale area is approximately 5.1 million acres and is divided into 1,225 tracts. Only those free and unencumbered state-owned oil and gas mineral estates are leased. In 2011, the Division of Oil and Gas subdivided some tracts into smaller parcels to encourage timely development of leases.

The most recent best interest finding for the North Slope was issued on July 15, 2008. On March 21, 2011, DNR called for comments from the public requesting new information that has become available since the most recent best interest finding. On July 11, 2011, DNR issued a "Decision of New Substantial Information." The North Slope 2011 lease sale was held on December 7, 2011

Petroleum Potential: Petroleum potential in the area is considered low to moderate with the potential generally increasing from south to north.

Other Resources: The lease sale area supports a variety of wildlife. Caribou from the Central Arctic herd and the Teshekpuk Lake herd use parts of the region.

Brown bears and moose are found along the Colville and Itkillik Rivers. Polar bear dens have been documented in the Colville River delta. Spotted seals haul out on sandbars in the Colville River delta. Arctic fox, wolverine, and wolves also inhabit the area. Millions of birds migrate through or near the area during the summer, stopping to feed or rest on the numerous small tundra ponds typical of the area. The Colville River delta wetlands provide important staging, nesting, feeding, and molting habitat for many species of birds. Freshwater resident fish include Arctic grayling, burbot, and whitefish. Anadromous and amphidromous fish include Dolly Varden, Arctic Char, cisco, whitefish, and salmon.

Residents of Nuiqsut and Anaktuvuk Pass use the area for fishing and hunting birds, caribou, and other species.

Four species found in the lease sale area are listed as threatened or endangered under the federal Endangered Species Act: polar bear (threatened), spectacled eider (threatened), and Steller's eider (threatened).

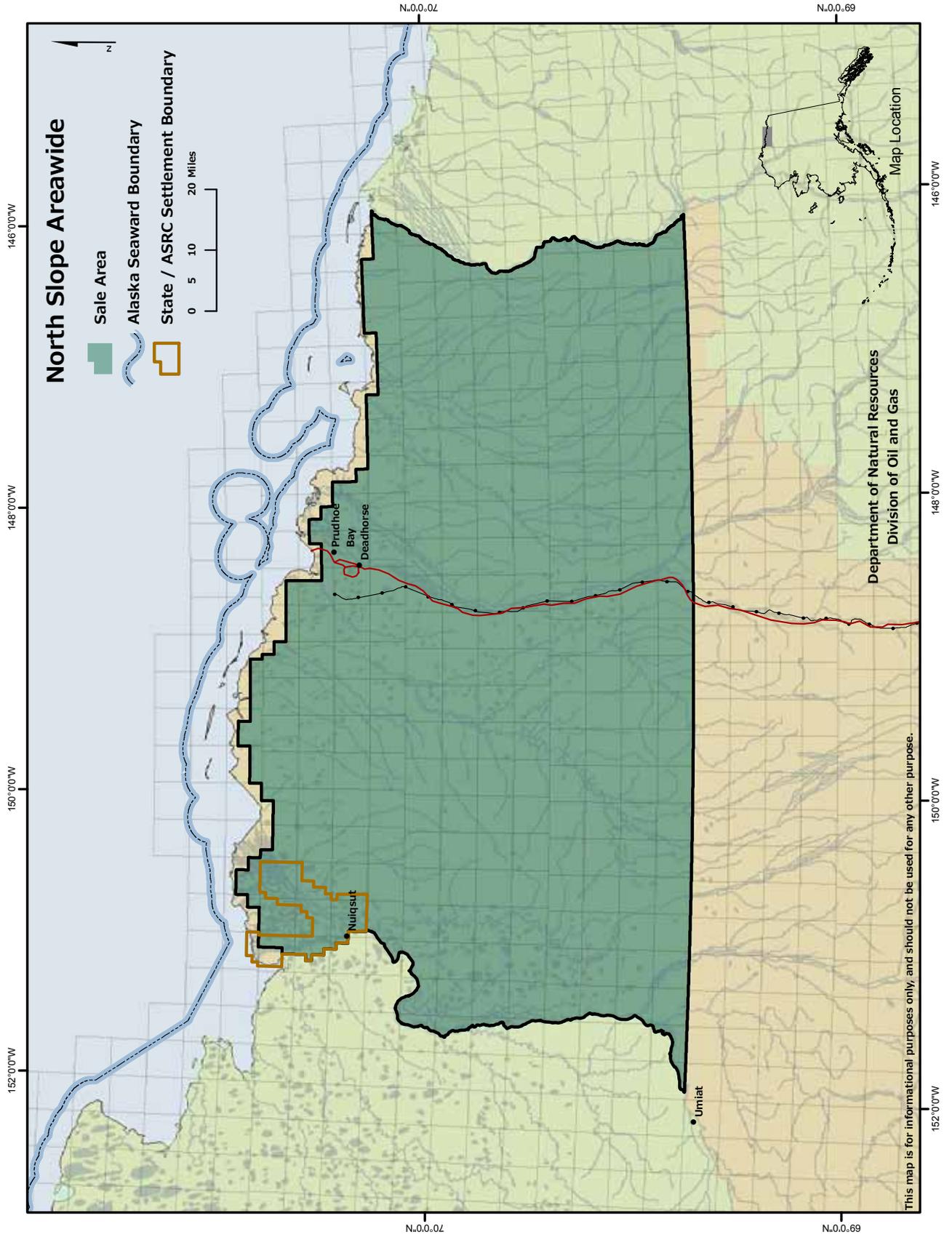
The USFWS designated 187,157 square miles as polar bear critical habitat, including sea ice in the Beaufort Sea and denning habitat on the North Slope.

Municipalities and Communities: The North Slope Borough has adopted a comprehensive plan and land management regulations that may impose restrictions on oil and gas activity in the lease sale area.

Municipalities & Communities

| Community | Population (2010) |
|-----------------------|-------------------|
| North Slope Borough | 9,430 |
| Prudhoe Bay/Deadhorse | 2,174 |
| Nuiqsut | 402 |
| Anaktuvuk Pass | 324 |

Source: http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm



North Slope Foothills Areawide Oil and Gas Lease Sale

Annually Held in Fall

Property Description and Location: The 2012-2016 North Slope Foothills Areawide oil and gas lease sale area lies between the National Petroleum Reserve-Alaska (NPR-A) and the Arctic National Wildlife Refuge (ANWR), south of the Umiat Baseline and north of the Gates of the Arctic National Park and Preserve.

The gross lease sale area is approximately 7.6 million acres and is divided into 1,347 tracts ranging from 1,280 to 5,760 acres. Only those free and unencumbered state-owned oil and gas mineral estates are leased.

The most recent best interest finding for the North Slope Foothills was issued May 26, 2011. The North Slope Foothills 2001 lease sale was held on December 7, 2011.

Petroleum Potential: Petroleum potential in the area is considered relatively high for gas, and relatively low for oil.

Other Resources: Four caribou herds use the lease sale area: the Western Arctic herd, the Central Arctic herd, the Teshekpuk Lake herd, and the Porcupine herd. Caribou use the lease sale area as winter range and travel along the river drainages and mountain passes to summer calving areas along the Beaufort

Sea coast.

Riparian habitats found within the lease sale area are important to a variety of species including moose, brown bears, muskoxen, wolves, furbearers, and numerous species of birds. Some of the higher mesa or butte areas are used by Dall sheep for lambing and mineral licks.

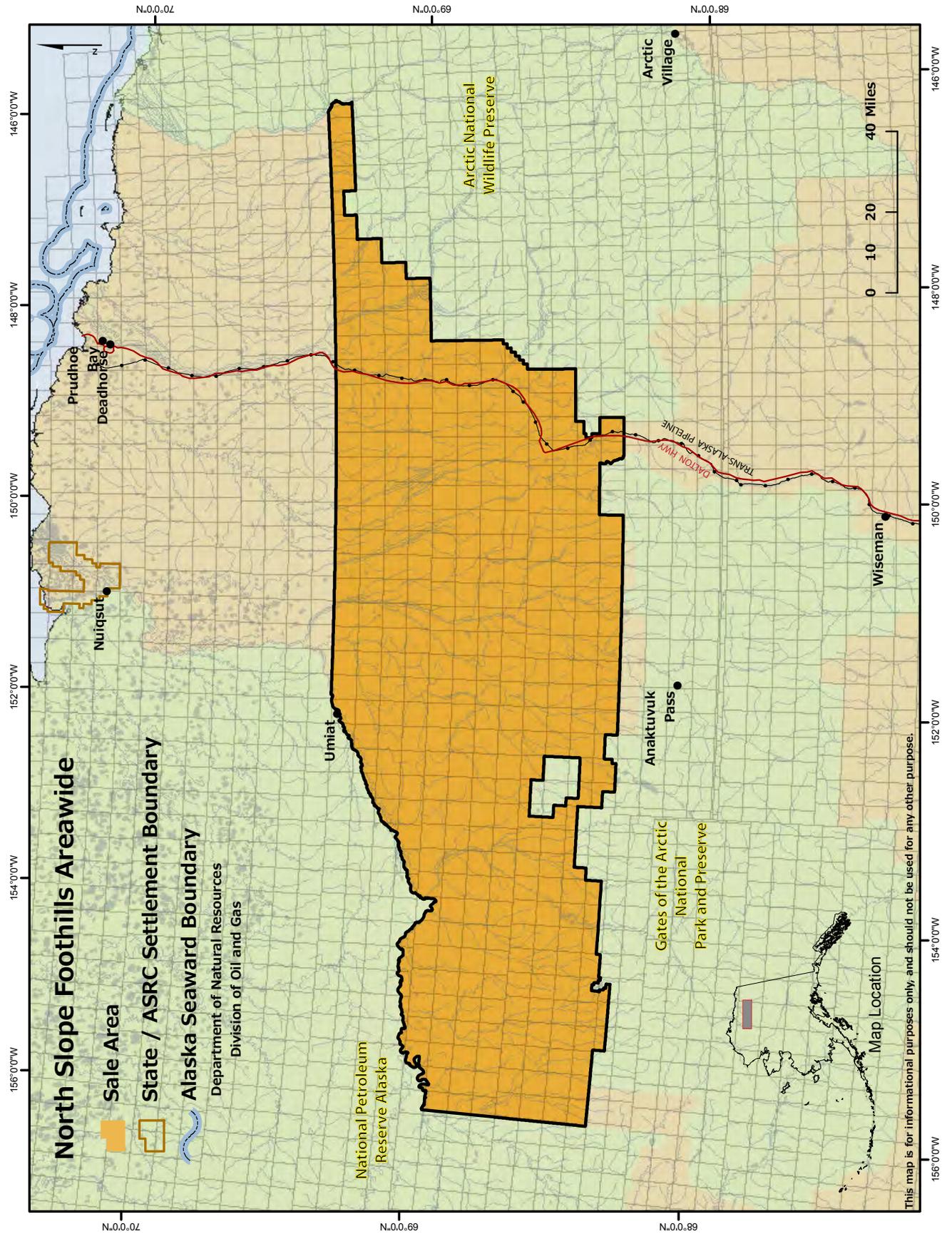
Major river valleys, where willow thickets are most abundant, provide valuable moose habitat. Moose concentrate in these areas throughout the year, with peak use during winter. Brown bears are frequently associated with riparian habitats in the area, especially in the spring and fall. The North Slope's tundra and foothills support numerous migratory bird species in this area. Dall sheep live on ridges, dry meadows, and steep mountain slopes. Residents of Anaktuvuk Pass are the most frequent users of fish and wildlife in the lease sale area; however, Barrow, Nuiqsut, and Kaktovik residents harvest species in the area.

Municipalities and Communities: The North Slope Borough has adopted a comprehensive plan and land management regulations that may impose restrictions on oil and gas activity in the lease sale area.

Municipalities & Communities

| Community | Population (2010) |
|-----------------------|-------------------|
| North Slope Borough | 9,430 |
| Prudhoe Bay/Deadhorse | 2,174 |
| Nuiqsut | 402 |
| Anaktuvuk Pass | 324 |
| Barrow | 4,212 |
| Kaktovik | 239 |

Source: http://www.commerce.state.ak.us/dca/commdb/CF_BLOCK.htm



Recent Areawide Oil and Gas Lease Sale Results

2010 Sale Results

| Sale | Date | Acres Leased | High Bonus Bids | Status |
|----------------------------|-------------------|-------------------|------------------------|------------------|
| Beaufort Sea 2010 | February 24, 2010 | 41,579.62 | \$724,101.84 | Final |
| Alaska Peninsula 2010 | May 26, 2010 | 0 | \$0 | No bids received |
| Cook Inlet 2010* | May 26, 2010 | 104,629.37 | \$1,716,407.01 | Final |
| Beaufort Sea 2010A* | October 27, 2009 | 62,965.35 | \$634,485.10 | Final |
| North Slope 2010* | October 27, 2009 | 558,683.25 | \$8,271,480.14 | Final |
| North Slope Foothills 2010 | October 27, 2009 | 0 | 0 | No bids received |
| Totals: | | 767,857.59 | \$11,346,474.09 | |

2011 Sale Results*

| Sale | Date | Acres Leased | High Bonus Bids | Status |
|----------------------------|------------------|--------------|-----------------|------------------|
| Beaufort Sea 2011 | December 7, 2011 | 281,095 | \$6,874,656.80 | Preliminary |
| Alaska Peninsula 2011 | June 22, 2011 | 0 | 0 | No bids received |
| Cook Inlet 2011A | June 22, 2011 | 566,435 | \$10,511,373.80 | Preliminary |
| Cook Inlet 2011B | June 22, 2011 | 8,764.14 | \$613,489.80 | Final |
| North Slope 2011 | December 7, 2011 | 334,969 | \$14,110,290.87 | Preliminary |
| North Slope Foothills 2011 | December 7, 2011 | 0 | 0 | No bids received |
| Totals: | | | | |

* Individual results of the 2011 lease sales are reported on the following pages. Final results will be posted on the division's Web site at <http://dog.dnr.alaska.gov/> once leases have been issued.

Alaska Peninsula Areawide 2011

Competitive Oil and Gas Lease Sale

North Slope Foothills Areawide 2011

Competitive Oil and Gas Lease Sale

No Bids Received



Division of Oil & Gas

Alaska Department of Natural Resources

Sale Results Summary

Beaufort Sea 2011W

Date of Sale: 12/7/2011

Preliminary Report

12/7/2011

| | |
|---------------------------------------|-------------------|
| Total Number of Valid Bids: 89 | Min Bid Per Acre: |
| Total Tracts Sold: 78 | \$10.00 |
| Total Acres Sold: 281,095.00 | \$25.00 |
| Total High Bonus Bids: \$6,874,656.80 | Royalty %: % |
| Sum of All Valid Bids: \$7,890,336.80 | 12.50000% |
| Average High Bid Per Acre: \$24.46 | 16.66667% |

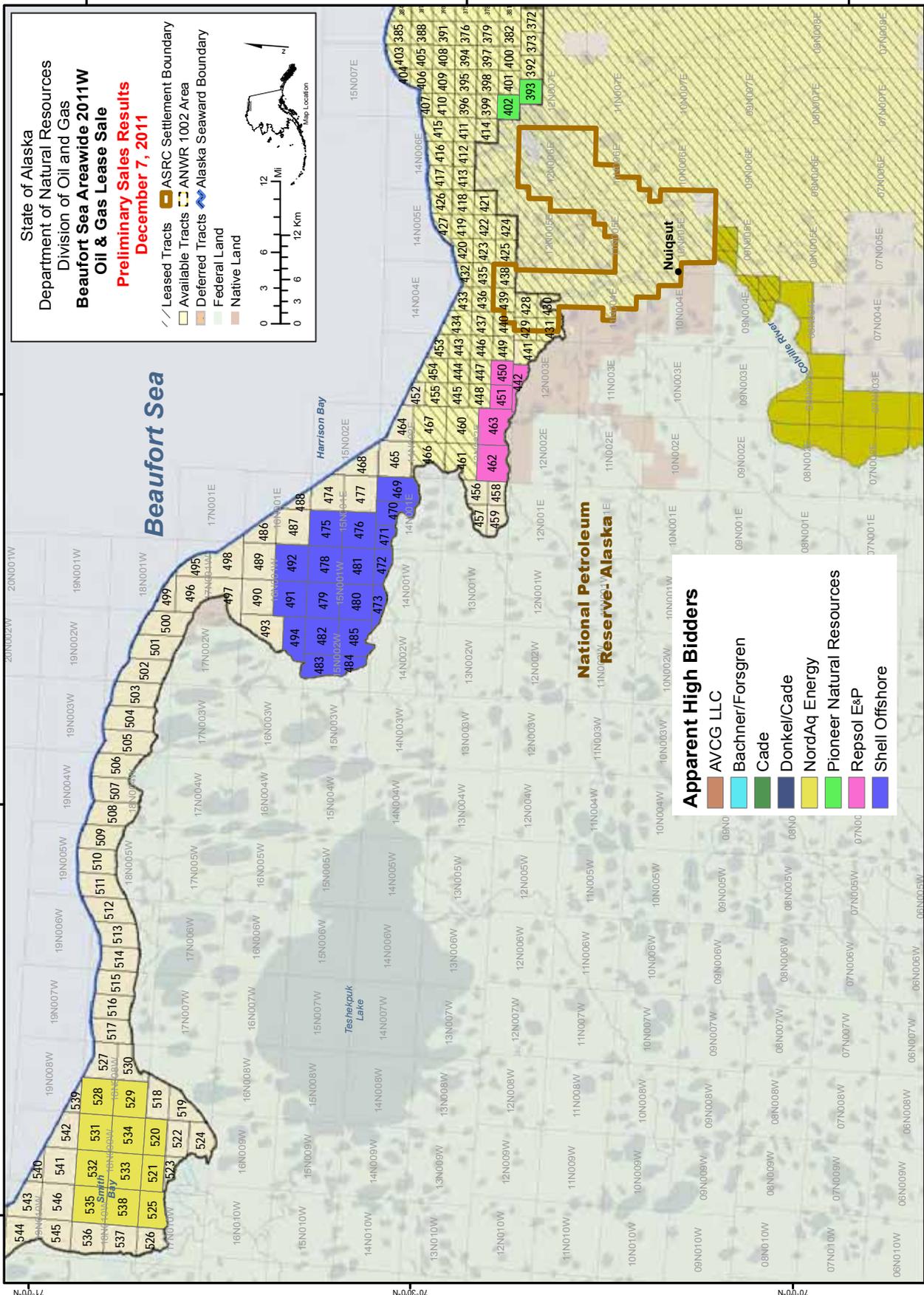
Highest Bid: \$529,280.00
 Tract Number: 286
 Submitted By: AVCG LLC

Highest Bid/Acre: \$876.00
 Tract Number: 393
 Submitted By: Pioneer Natural Resources

| Bidder Company or Group Name | Number of Tracts Bid | Total of All Bids | Number of Tracts Won | Total of High Bids | Total Acreage Won |
|--|----------------------|-------------------|----------------------|--------------------|-------------------|
| DANIEL K DONKEL 25.00000%; SAMUEL H CADE 75.00000% | 40 | \$1,799,680.00 | 35 | \$1,525,760.00 | 94,080.00 |
| SHELL OFFSHORE INC 100.00000% | 18 | \$2,615,200.00 | 18 | \$2,615,200.00 | 86,400.00 |
| NordAq Energy Inc 100.00000% | 11 | \$1,356,902.40 | 11 | \$1,356,902.40 | 58,880.00 |
| J ANDREW BACHNER 90.00000%; C KEITH FORSGREN 10.00000% | 6 | \$438,553.60 | 5 | \$331,878.40 | 17,920.00 |
| Repsol E&P USA Inc. 100.00000% | 5 | \$376,256.00 | 5 | \$376,256.00 | 19,200.00 |
| PIONEER NATURAL RESOURCES ALASKA INC 100.00000% | 2 | \$118,260.00 | 2 | \$118,260.00 | 135.00 |

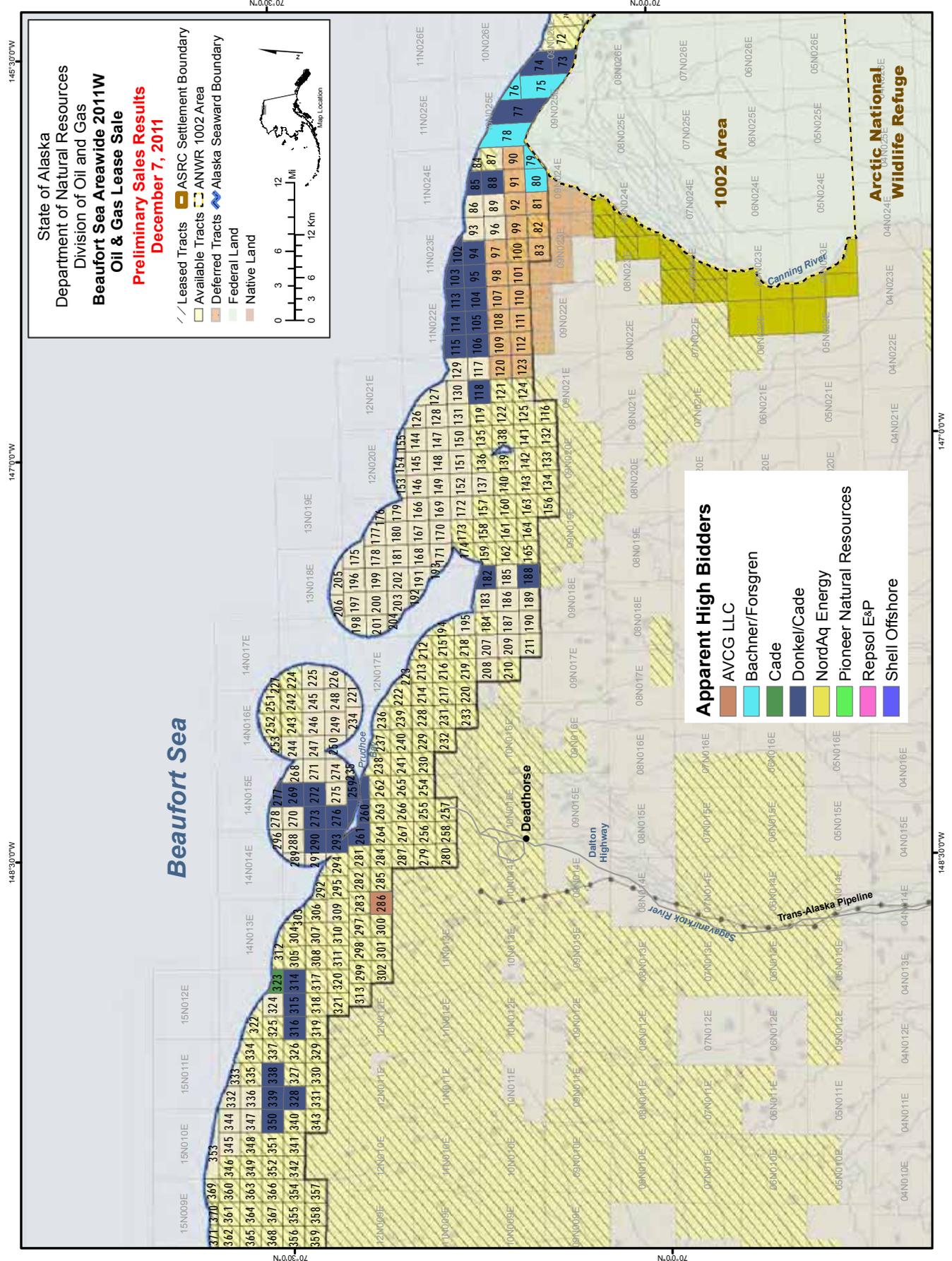
State of Alaska
 Department of Natural Resources
 Division of Oil and Gas
**Beaufort Sea Area-wide 2011W
 Oil & Gas Lease Sale**
Preliminary Sales Results
December 7, 2011

- Leased Tracts
- Available Tracts
- Deferred Tracts
- Federal Land
- Native Land
- ASRC Settlement Boundary
- ANWR 1002 Area
- Alaska Seaward Boundary



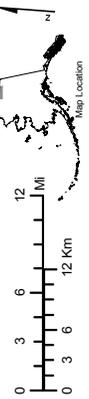
National Petroleum Reserve - Alaska

- Apparent High Bidders**
- AVCG LLC
 - Bachner/Forsgren
 - Cade
 - Donkel/Cade
 - NordAq Energy
 - Pioneer Natural Resources
 - Repsol E&P
 - Shell Offshore



State of Alaska
 Department of Natural Resources
 Division of Oil and Gas
**Beaufort Sea Area-wide 2011W
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Preliminary Sales Results
December 7, 2011

- Leased Tracts
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- Alaska Seaward Boundary



- Apparent High Bidders**
- AVCG LLC
 - Bachner/Forsgren
 - Cade
 - Donkel/Cade
 - NordAq Energy
 - Pioneer Natural Resources
 - Repsol E&P
 - Shell Offshore



Division of Oil & Gas

Alaska Department of Natural Resources

Sale Results Summary

Cook Inlet Areawide 2011

Date of Sale: 6/22/2011
 Bidding Method: Cash Bonus Bid, Fixed Royalty

Preliminary Report

6/23/2011

Total Tracts Sold: 109
 Total Acres Sold: 575,202.00
 Min Bid Per Acre: \$10.00
 \$50.00
 Royalty %: 12.50000%
 12.50000%

Highest Bid: \$605,779.20
 Tract Number: 157
 Submitted By: John Martineck

Total Number of Valid Bids: 112
 Total High Bonus Bids: \$11,125,063.80
 Total Exposed (Sum Of All Valid Bids): \$11,292,974.20
 Average High Bonus Bid Per Acre: \$19.34

Highest Bid/Acre: \$105.17
 Tract Number: 157
 Submitted By: John Martineck

| Bidder Company or Group Name | Number of Tracts Bid | Total of All Bids | Number of Tracts Won | Total of High Bids |
|--|----------------------|-------------------|----------------------|--------------------|
| APACHE ALASKA CORPORATION 100.00000% | 94 | \$9,105,210.00 | 92 | \$8,999,610.00 |
| MARATHON ALASKA PRODUCTION LLC 100.00000% | 1 | \$65,606.40 | 1 | \$65,606.40 |
| Monte J. Allen 100.00000% | 3 | \$174,873.60 | 3 | \$174,873.60 |
| JOHN M MARTINECK 100.00000% | 2 | \$673,305.60 | 2 | \$673,305.60 |
| NordAq Energy Inc 100.00000% | 1 | \$127,296.00 | 1 | \$127,296.00 |
| JAMES A WHITE 100.00000% | 1 | \$62,310.40 | 0 | 0 |
| PAUL L CRAIG 100.00000% | 1 | \$183,577.60 | 1 | \$183,577.60 |
| DANIEL R GILBERTSON 12.50000%; NICK STEPOVICH 12.50000%; V PAUL GAVORA 12.50000%; ALASKA LLC 62.50000% | 5 | \$152,275.20 | 5 | \$152,275.20 |
| James F McCurdy 100.00000% | 1 | \$385.00 | 1 | \$385.00 |
| Aurora Exploration, LLC 100.00000% | 2 | \$465,894.40 | 2 | \$465,894.40 |
| COOK INLET ENERGY, LLC 100.00000% | 1 | \$282,240.00 | 1 | \$282,240.00 |



Division of Oil & Gas

Alaska Department of Natural Resources

Sale Results Summary

North Slope 2011W

Date of Sale: 12/7/2011

Preliminary Report

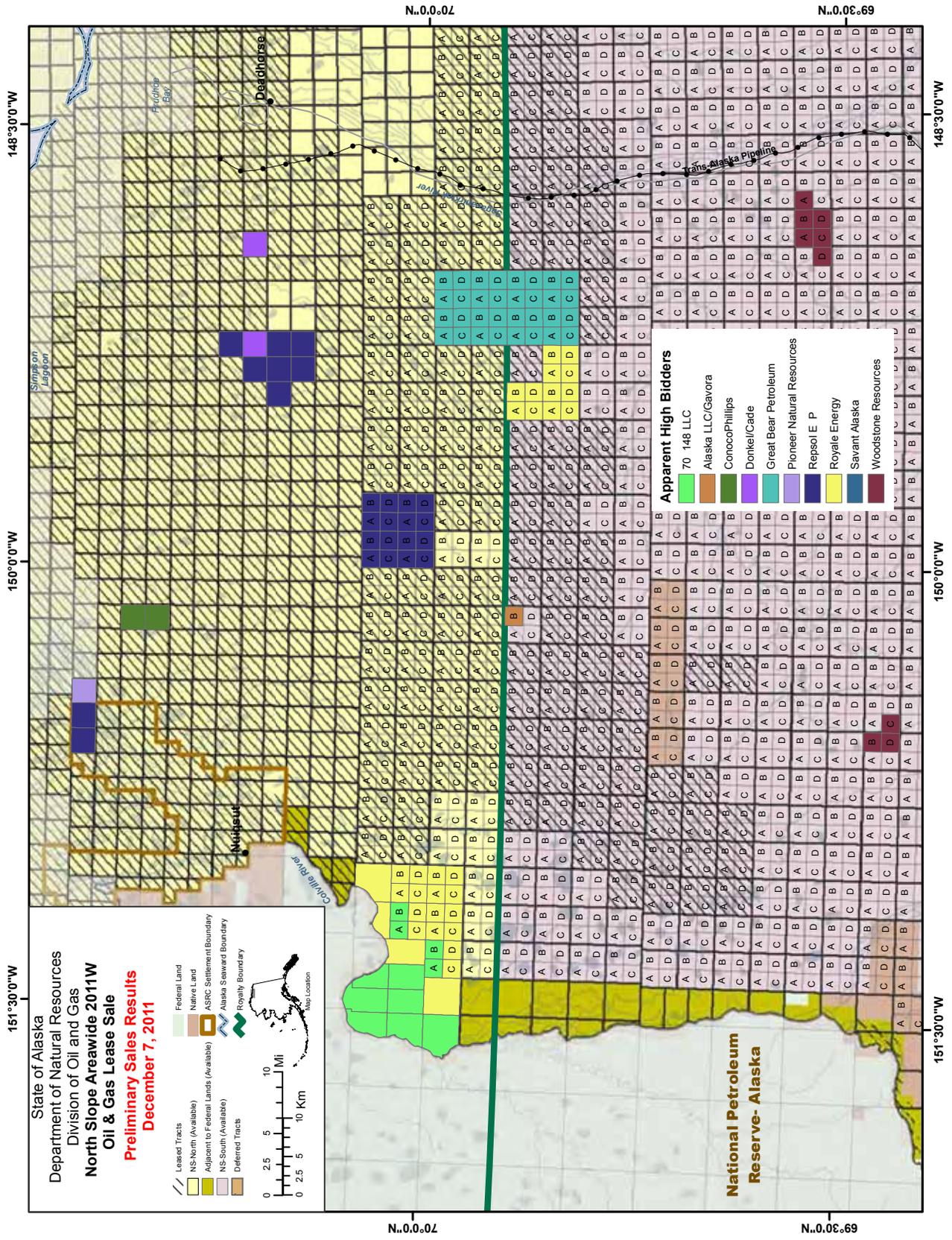
12/7/2011

| | |
|--|-------------------|
| Total Number of Valid Bids: 219 | Min Bid Per Acre: |
| Total Tracts Sold: 178 | \$10.00 |
| Total Acres Sold: 334,969.00 | \$25.00 |
| Total High Bonus Bids: \$14,110,290.87 | \$25.00 |
| Sum of All Valid Bids: \$16,088,692.87 | Royalty %: % |
| Average High Bid Per Acre: \$42.12 | 12.50000% |
| | 12.50000% |
| | 16.66667% |

Highest Bid: \$839,372.80
 Tract Number: 1145
 Submitted By: Repsol E&P

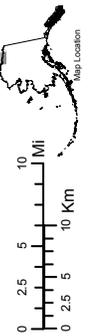
Highest Bid/Acre: \$876.00
 Tract Number: 1154
 Submitted By: Pioneer Natural Resources

| Bidder Company or Group Name | Number of Tracts Bid | Total of All Bids | Number of Tracts Won | Total of High Bids | Total Acreage Won |
|--|----------------------|-------------------|----------------------|--------------------|-------------------|
| Royale Energy, Inc. 100.00000% | 87 | \$3,980,224.00 | 60 | \$2,734,688.00 | 100,480.00 |
| CONOCOPHILLIPS ALASKA, INC. 100.00000% | 34 | \$2,685,014.07 | 34 | \$2,685,014.07 | 77,959.00 |
| Great Bear Petroleum LLC 100.00000% | 32 | \$2,942,668.80 | 32 | \$2,942,668.80 | 46,080.00 |
| Repsol E&P USA Inc. 100.00000% | 26 | \$2,717,184.00 | 25 | \$2,646,604.80 | 46,080.00 |
| 70 & 148, LLC 100.00000% | 18 | \$2,534,476.80 | 11 | \$2,149,580.80 | 37,120.00 |
| Woodstone Resources LLC 100.00 | 9 | \$488,160.00 | 9 | \$488,160.00 | 12,960.00 |

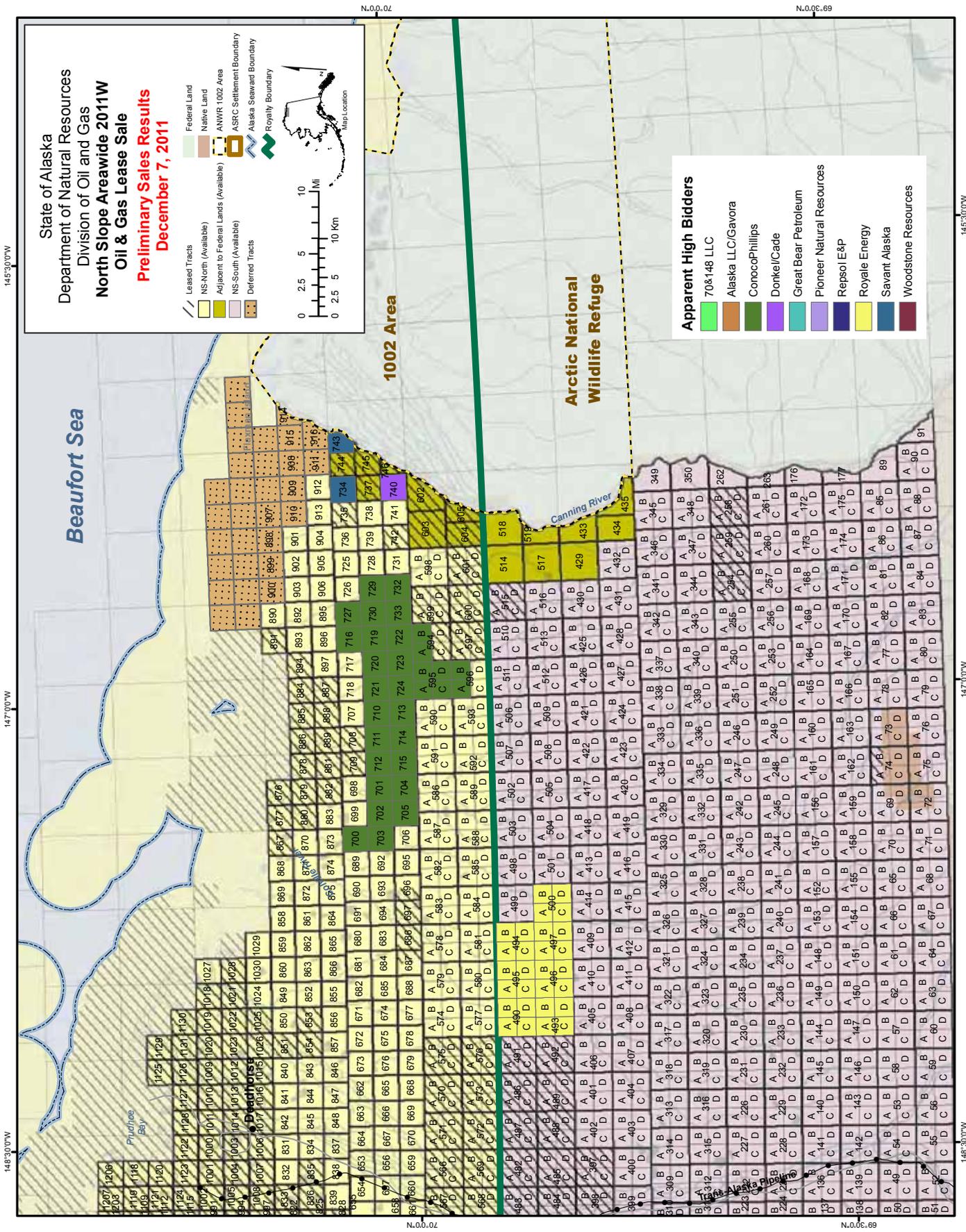


State of Alaska
 Department of Natural Resources
 Division of Oil and Gas
**North Slope Area-wide 2011W
 Oil & Gas Lease Sale**
Preliminary Sales Results
December 7, 2011

- Leased Tracts
- NS-North (Available)
- Adjacent to Federal Lands (Available)
- NS-South (Available)
- Deferred Tracts
- Federal Land
- Native Land
- ASRC Settlement Boundary
- Alaska Seaward Boundary
- Royalty Boundary



- Apparent High Bidders**
- 70 148 LLC
 - Alaska LLC/Gavora
 - ConocoPhillips
 - Donkel/Cade
 - Great Bear Petroleum
 - Pioneer Natural Resources
 - Repsol E P
 - Royale Energy
 - Savant Alaska
 - Woodstone Resources



State of Alaska
 Department of Natural Resources
 Division of Oil and Gas
**North Slope Area-wide 2011W
 Oil & Gas Lease Sale**
Preliminary Sales Results
December 7, 2011

/ / Leased Tracts
 NS-North (Available)
 Adjacent to Federal Lands (Available)
 NS-South (Available)
 Deferred Tracts
 Federal Land
 Native Land
 ANWR 1002 Area
 ASRC Settlement Boundary
 Alaska Seaward Boundary
 Royalty Boundary

0 2.5 5 10
 0 2.5 5 10 Km
 0 2.5 5 10 Mi

Map Location

Apparent High Bidders

- 70&148 LLC
- Alaska LLC/Gavora
- ConocoPhillips
- Donkel/Cade
- Great Bear Petroleum
- Pioneer Natural Resources
- Repsol E&P
- Royale Energy
- Savant Alaska
- Woodstone Resources

Summary of State Competitive Lease Sales 1959-2011

| Sale Date | Sale | Sale Area | Acres Offered | Acres Leased | Percent Leased | Average \$/Acre | Tracts Offered | Tracts Leased | Bonus Received | Bid Variable | Fixed Terms |
|------------|------|--------------|---------------|--------------|----------------|-----------------|----------------|---------------|----------------|------------------------|--------------------------------------|
| 12/10/1959 | 1 | Cook Inlet | 88,055 | 77,191 | 87.66% | \$52.08 | 37 | 31 | \$4,020,342 | Bonus; No Min | 12.5% Royalty |
| 7/13/1960 | 2 | Cook Inlet | 17,568 | 16,506 | 93.96% | \$24.70 | 27 | 26 | \$407,655 | Bonus; No Min | 12.5% Royalty |
| 12/7/1960 | 3 | Mixed | 73,048 | 22,867 | 31.30% | \$11.54 | 26 | 9 | \$35,325 | Bonus; No Min | 12.5% Royalty |
| 1/25/1961 | 4 | Cook Inlet | 400 | 400 | 100.00% | \$679.04 | 3 | 3 | \$271,614 | Bonus; No Min | 12.5% Royalty |
| 5/23/1961 | 5 | Mixed | 97,876 | 95,980 | 98.06% | \$74.71 | 102 | 99 | \$7,170,465 | Bonus; No Min | 12.5% Royalty |
| 8/4/1961 | 6 | Gulf Ak | 13,257 | 13,257 | 100.00% | \$8.35 | 6 | 6 | \$110,672 | Bonus; No Min | 12.5% Royalty |
| 12/19/1961 | 7 | Mixed | 255,708 | 187,118 | 73.18% | \$79.43 | 68 | 53 | \$14,863,049 | Bonus; No Min | 12.5% Royalty |
| 4/24/1962 | 8 | Cook Inlet | 1,062 | 1,062 | 100.00% | \$4.80 | 8 | 8 | \$5,097 | Bonus; No Min | 12.5% Royalty |
| 7/11/1962 | 9 | Mixed | 315,669 | 264,437 | 83.77% | \$59.42 | 89 | 76 | \$15,714,113 | Bonus; No Min | 12.5% Royalty |
| 5/8/1963 | 10 | Cook Inlet | 167,583 | 141,491 | 84.43% | \$29.23 | 200 | 158 | \$4,136,225 | Bonus; No Min | 12.5% Royalty |
| 12/11/1963 | 12 | Cook Inlet | 346,782 | 247,089 | 71.25% | \$12.31 | 308 | 207 | \$3,042,681 | Bonus; No Min | 12.5% Royalty |
| 12/9/1964 | 13 | Mixed | 1,194,373 | 721,224 | 60.39% | \$7.68 | 610 | 341 | \$5,537,100 | Bonus; No Min | 12.5% Royalty |
| 7/14/1965 | 14 | North Slope | 754,033 | 403,000 | 53.45% | \$15.25 | 297 | 159 | \$6,145,473 | Bonus; \$1/acre Min | 12.5% Royalty |
| 9/28/1965 | 15 | Cook Inlet | 403,042 | 301,751 | 74.87% | \$15.49 | 293 | 216 | \$4,674,344 | Bonus; \$1/acre Min | 12.5% Royalty |
| 7/19/1966 | 16 | Mixed | 184,410 | 133,987 | 72.66% | \$52.55 | 205 | 153 | \$7,040,880 | Bonus; \$1/acre Min | 12.5% Royalty |
| 11/22/1966 | 17 | Cook Inlet | 19,230 | 18,590 | 96.67% | \$7.33 | 36 | 35 | \$136,280 | Bonus; \$1/acre Min | 12.5% Royalty |
| 1/24/1967 | 18 | Mixed | 47,729 | 43,657 | 91.47% | \$33.90 | 23 | 20 | \$1,479,906 | Bonus; \$1/acre Min | 12.5% Royalty |
| 3/28/1967 | 19 | Kachemak Bay | 2,560 | INVALID | 12/9/74 | | | | | | |
| 7/25/1967 | 20 | Cook Inlet | 311,250 | 256,447 | 82.39% | \$73.14 | 295 | 220 | \$18,757,341 | Bonus; \$1/acre Min | 12.5% Royalty |
| 3/26/1968 | 21 | AK Peninsula | 346,623 | 164,961 | 47.59% | \$18.24 | 308 | 147 | \$3,009,224 | Bonus; \$1/acre Min | 12.5% Royalty |
| 10/29/1968 | 22 | Cook Inlet | 111,199 | 60,272 | 54.20% | \$17.29 | 230 | 125 | \$1,042,220 | Bonus; No Min | 12.5% Royalty |
| 9/10/1969 | 23 | North Slope | 450,858 | 412,548 | 91.50% | \$2,181.66 | 179 | 164 | \$900,041,605 | Bonus; No Min | 12.5% Royalty |
| 5/12/1971 | 24 | Cook Inlet | 196,635 | 92,618 | 47.10% | \$4.92 | 244 | 106 | \$455,641 | Bonus; No Min | 12.5% Royalty |
| 9/26/1972 | 25 | Cook Inlet | 325,401 | 178,245 | 54.78% | \$7.43 | 259 | 152 | \$1,324,673 | Bonus; No Min | 12.5% Royalty |
| 12/11/1972 | 26 | Cook Inlet | 399,921 | 177,973 | 44.50% | \$8.75 | 218 | 105 | \$1,557,849 | Bonus; No Min | 12.5% Royalty |
| 5/9/1973 | 27 | Cook Inlet | 308,401 | 113,892 | 36.93% | \$9.92 | 210 | 96 | \$1,130,325 | Bonus; No Min | 12.5% Royalty |
| 12/13/1973 | 28 | Cook Inlet | 166,648 | 97,804 | 58.69% | \$253.77 | 98 | 62 | \$24,819,190 | Bonus; No Min | 16.67% Royalty |
| 10/23/1974 | 29 | Cook Inlet | 278,269 | 127,120 | 45.68% | \$8.19 | 164 | 82 | \$1,040,910 | Bonus; No Min | 16.67% Royalty |
| 7/24/1979 | 29B | Copper River | 34,678 | 34,678 | 100.00% | \$4.56 | 20 | 20 | \$158,042 | Bonus; No Min | 20% Royalty |
| 12/12/1979 | 30 | Beaufort Sea | 341,140 | 296,308 | 86.86% | \$1,914.87 | 71 | 62 | \$567,391,497 | Net Profit Share (NPS) | 20% Royalty; \$850 & \$1750/acre |
| 9/16/1980 | 31 | North Slope | 196,268 | 196,268 | 100.00% | \$63.12 | 78 | 78 | \$12,387,470 | Bonus; No Min | 20% Royalty; 30% NPS |
| 5/13/1981 | 33 | Cook Inlet | 815,000 | 429,978 | 52.76% | \$10.00 | 202 | 103 | \$4,299,782 | Royalty; 20% Min | \$10/acre Bonus |
| 8/25/1981 | 32 | Cook Inlet | 202,837 | 152,428 | 75.15% | \$10.00 | 78 | 59 | \$1,524,282 | Royalty; 20% Min | \$10/acre Bonus |
| 2/2/1982 | 35 | Cook Inlet | 601,172 | 131,191 | 21.82% | \$10.00 | 149 | 31 | \$1,311,907 | Royalty; 12.5% Min | \$10/acre Bonus |
| 5/26/1982 | 36* | Beaufort Sea | 56,862 | 56,862 | 100.00% | \$573.02 | 13 | 13 | \$32,583,452 | Bonus; No Min | 12.5% Royalty & 40% NPS |
| 8/24/1982 | 37* | Copper River | 852,603 | 168,849 | 19.80% | \$3.33 | 217 | 33 | \$562,944 | Bonus; No Min | 12.5% Royalty & 30% NPS |
| 8/24/1982 | 37A | Cook Inlet | 1,875 | 1,875 | 100.00% | \$52.00 | 1 | 1 | \$97,479 | Bonus; No Min | 43% Royalty |
| 9/28/1982 | 34* | North Slope | 1,231,517 | 571,954 | 46.44% | \$46.70 | 261 | 119 | \$26,713,018 | Bonus; No Min | Royalty; 16.67%-40%NPS; 12.5%-30%NPS |
| 5/17/1983 | 39* | Beaufort Sea | 211,988 | 211,988 | 100.00% | \$99.05 | 42 | 42 | \$20,998,101 | Bonus; \$10/acre Min | 12.5% Royalty & 30% or 40% NPS |
| 9/28/1983 | 40 | Cook Inlet | 1,044,745 | 443,355 | 42.44% | \$7.17 | 284 | 140 | \$3,177,178 | Bonus; \$1/acre Min | 12.5% Royalty |
| 5/22/1984 | 43 | Beaufort Sea | 298,074 | 281,784 | 94.53% | \$114.32 | 69 | 66 | \$32,214,794 | Bonus; \$10/acre Min | 16.67% Royalty |
| 5/22/1984 | 43A* | North Slope | 76,079 | 76,079 | 100.00% | \$125.44 | 15 | 15 | \$1,612,583 | Bonus; \$10/acre Min | 12.5% Royalty & 30% NPS |
| 9/18/1984 | 41 | Bristol Bay | 1,437,930 | 278,939 | 19.40% | \$3.03 | 308 | 63 | \$843,965 | Bonus; No Min | 12.5% Royalty |

Summary of State Competitive Lease Sales 1959-2011

| Sale Date | Sale | Sale Area | Acres Offered | Acres Leased | Percent Leased | Average \$/Acre | Tracts Offered | Tracts Leased | Bonus Received | Bid Variable | Fixed Terms |
|------------|--------|--------------|---------------|--------------|----------------|-----------------|----------------|---------------|----------------|-------------------------|---|
| 2/26/1985 | 46A | Cook Inlet | 248,585 | 190,042 | 76.45% | \$13.28 | 65 | 50 | \$2,523,334 | Bonus; \$/acre Min | 12.5% & 16.67% Royalty |
| 9/24/1985 | 45A | North Slope | 606,385 | 164,885 | 27.19% | \$28.25 | 113 | 32 | \$4,667,478 | Bonus; \$5/acre Min | 16.67% Royalty |
| 9/24/1985 | 47 | North Slope | 192,569 | 182,560 | 94.80% | \$63.79 | 50 | 48 | \$11,645,003 | Bonus; \$5/acre Min | 12.5% Royalty |
| 2/25/1986 | 48 | North Slope | 526,101 | 266,736 | 50.70% | \$9.16 | 104 | 54 | \$2,444,342 | Bonus; \$5/acre Min | 12.5% Royalty |
| 2/25/1986 | 48A | Beaufort Sea | 42,053 | 42,053 | 100.00% | \$12.13 | 11 | 11 | \$510,255 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/24/1986 | 49 | Cook Inlet | 1,189,100 | 394,881 | 33.21% | \$2.40 | 260 | 98 | \$947,171 | Bonus; \$/acre Min | 12.5% & 16.67% Royalty |
| 1/27/1987 | 51 | North Slope | 592,142 | 100,632 | 16.99% | \$2.88 | 119 | 26 | \$289,625 | Bonus; \$2/acre Min | 12.5% Royalty |
| 6/30/1987 | 50 | Beaufort Sea | 118,147 | 118,147 | 100.00% | \$56.05 | 35 | 35 | \$6,621,723 | Bonus; \$5/acre Min | 16.67% Royalty |
| 1/26/1988 | 54* | North Slope | 421,809 | 338,687 | 80.29% | \$13.83 | 89 | 72 | \$4,683,388 | Bonus; \$5/acre Min | 12.5% Royalty |
| 9/28/1988 | 55 | Beaufort Sea | 201,707 | 96,632 | 47.91% | \$152.13 | 56 | 25 | \$14,700,602 | Bonus; \$10&\$25/ac Min | 12.5% & 16.67% Royalty |
| 9/28/1988 | 69A | North Slope | 775,555 | 368,490 | 47.51% | \$16.61 | 155 | 75 | \$6,119,135 | Bonus; \$5/acre Min | 12.5% Royalty |
| 1/24/1989 | 72A | North Slope | 677 | 677 | 100.00% | \$671.90 | 1 | 1 | \$454,977 | Bonus; \$10/acre Min | 12.5% Royalty |
| 1/29/1991 | 67A* | Cook Inlet | 549,364 | 191,588 | 34.87% | \$28.77 | 140 | 55 | \$5,511,338 | Bonus; \$5/acre Min | 12.5% Royalty |
| 1/29/1991 | 70A* | North Slope | 532,153 | 420,568 | 79.03% | \$65.88 | 135 | 109 | \$27,707,541 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/4/1991 | 64 | North Slope | 754,542 | 34,143 | 4.52% | \$7.10 | 141 | 6 | \$242,389 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/4/1991 | 66* | Beaufort Sea | 491,091 | 172,865 | 35.20% | \$40.46 | 108 | 36 | \$6,993,949 | Bonus; \$5/acre Min | 16.67% Royalty |
| 9/24/1991 | 74A* | Cook Inlet | 605,851 | 26,605 | 4.39% | \$12.06 | 134 | 5 | \$320,853 | Bonus; \$5/acre Min | 12.5% Royalty |
| 1/22/1992 | 61 | North Slope | 991,087 | 260,550 | 26.29% | \$9.32 | 181 | 46 | \$2,429,551 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/2/1992 | 68 | Beaufort Sea | 153,445 | 0 | 0.00% | \$0.00 | 36 | 0 | \$0 | Bonus; \$10/acre Min | 12.5% Royalty |
| 12/8/1992 | 75 | North Slope | 217,205 | 124,832 | 57.47% | \$78.11 | 90 | 55 | \$9,750,111 | Bonus; \$10/acre Min | Royalty; State =12.5% & ASRC =16.67% |
| 1/26/1993 | 76 | Cook Inlet | 393,025 | 141,504 | 36.00% | \$461.25 | 86 | 36 | \$65,269,167 | Bonus; \$5/acre Min | 12.5% Royalty |
| 1/26/1993 | 67 A-W | Cook Inlet | 282,577 | 129,810 | 45.94% | \$18.75 | 69 | 33 | \$2,433,864 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/25/1993 | 77 | North Slope | 1,260,146 | 45,727 | 3.63% | \$25.47 | 228 | 8 | \$1,164,555 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/25/1993 | 70 A-W | North Slope | 37,655 | 28,055 | 74.51% | \$48.41 | 11 | 8 | \$1,358,027 | Bonus; \$10/acre Min | 12.5% Royalty |
| 9/21/1993 | 57 | North Slope | 1,033,248 | 0 | 0.00% | \$0.00 | 196 | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 9/21/1993 | 75A | North Slope | 14,343 | 14,343 | 100.00% | \$31.36 | 11 | 11 | \$449,847 | Bonus; \$10/acre Min | 16.67% Royalty |
| 10/30/1994 | 78 | Cook Inlet | 396,760 | 136,307 | 34.36% | \$12.14 | 90 | 34 | \$1,654,137 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/14/1995 | 67A-W2 | Cook Inlet | 152,768 | 13,804 | 9.04% | \$7.29 | 36 | 3 | \$100,638 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/14/1995 | 74W | Cook Inlet | 66,703 | 17,015 | 25.51% | \$31.76 | 16 | 4 | \$540,406 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/14/1995 | 76W | Cook Inlet | 251,614 | 14,220 | 5.65% | \$5.61 | 50 | 4 | \$79,722 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/14/1995 | 78W | Cook Inlet | 260,453 | 36,478 | 14.01% | \$7.06 | 56 | 11 | \$257,583 | Bonus; \$5/acre Min | 12.5% Royalty |
| 12/5/1995 | 80 | North Slope | 951,302 | 151,567 | 15.93% | \$22.02 | 202 | 42 | \$3,337,485 | Bonus; \$10/acre Min | 12.5% Royalty |
| 10/1/1996 | 86A** | North Slope | 15,484 | 5,901 | 38.11% | \$343.40 | 13 | 5 | \$2,026,247 | Bonus; \$100/acre Min | 16.67%&16.67-33.33% Sliding Scale Ry/ly |
| 12/18/1996 | 85A | Cook Inlet | 1,061,555 | 173,503 | 16.33% | \$17.92 | 234 | 44 | \$3,109,603 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/18/1997 | 86 | Beaufort Sea | 365,054 | 323,835 | 88.70% | \$86.42 | 181 | 162 | \$27,985,125 | Bonus; \$10/acre Min | 16.67% Royalty |
| 2/24/1998 | 85A-W | Cook Inlet | 757,878 | 98,011 | 12.90% | \$8.46 | 157 | 24 | \$828,807 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/24/1998 | 87 | North Slope | Areawide | 518,689 | N/A | \$99.86 | N/A | 137 | \$51,794,173 | Bonus; \$5/acre Min | 12.5% Royalty |

Summary of State Competitive Lease Sales 1959-2011

| Sale Date | Sale | Sale Area | Acres Offered | Acres Leased | Percent Leased | Average \$/Acre | Tracts Offered | Tracts Leased | Bonus Received | Bid Variable | Fixed Terms |
|------------|-------------|-------------------|---------------|--------------|----------------|-----------------|----------------|---------------|----------------|--------------------------|--|
| 2/24/1999 | NS 1999 | North Slope | Areawide | 174,923 | N/A | \$14.85 | N/A | 40 | \$2,596,838 | Bonus; \$5/acre Min | 12.5% Royalty |
| 4/2/1999 | CI 1999 | Cook Inlet | Areawide | 114,514 | N/A | \$10.75 | N/A | 41 | \$1,436,685 | Bonus; \$5/acre Min | 12.5% Royalty |
| 8/16/2000 | CI 2000 | Cook Inlet | Areawide | 100,480 | N/A | \$9.15 | N/A | 27 | \$919,750 | Bonus; \$5/acre Min | 12.5% Royalty |
| 11/15/2000 | BS 2000 | Beaufort Sea | Areawide | 25,840 | N/A | \$13.13 | N/A | 11 | \$338,922 | Bonus; \$10/acre Min | 12.5% & 16.67% Royalty |
| 11/15/2000 | NS 2000 | North Slope | Areawide | 652,355 | N/A | \$15.41 | N/A | 145 | \$10,052,665 | Bonus; \$5/acre Min | 12.5% & 16.67% Royalty |
| 5/9/2001 | CI 2001 | Cook Inlet | Areawide | 102,523 | N/A | \$9.05 | N/A | 29 | \$928,085 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/9/2001 | NSF 2001 | NS Foothills | Areawide | 858,811 | N/A | \$11.41 | N/A | 170 | \$9,799,277 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/24/2001 | BS 2001 | Beaufort Sea | Areawide | 36,331 | N/A | \$94.90 | N/A | 24 | \$3,447,734 | Bonus; \$10/acre Min | 12.5% & 16.67% Royalty |
| 10/24/2001 | NS 2001 | North Slope | Areawide | 434,938 | N/A | \$15.89 | N/A | 146 | \$6,911,572 | Bonus; \$5/acre Min | 12.5% & 16.67% Royalty |
| 5/1/2002 | CI 2002 | Cook Inlet | Areawide | 64,923 | N/A | \$7.05 | N/A | 21 | \$421,841 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/1/2002 | NSF 2002† | NS Foothills | Areawide | 213,374 | N/A | \$14.32 | N/A | 51 | \$2,889,532 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/24/2002 | BS 2002 | Beaufort Sea | Areawide | 19,226 | N/A | \$26.34 | N/A | 15 | \$506,405 | Bonus; \$10&\$100/ac Min | 12.5%, 16.67% & 20% Royalty |
| 10/24/2002 | NS 2002 | North Slope | Areawide | 32,315 | N/A | \$17.94 | N/A | 12 | \$579,728 | Bonus; \$10/acre Min | 12.5%, 16.67% & 16.67-33.33% Sliding Scale Rylty |
| 5/7/2003 | CI 2003 | Cook Inlet | Areawide | 73,869 | N/A | \$9.34 | N/A | 27 | \$689,949 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/7/2003 | NSF 2003 | NS Foothills | Areawide | 5,760 | N/A | \$6.35 | N/A | 1 | \$36,576 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/29/2003 | BS 2003 | Beaufort Sea | Areawide | 36,995 | N/A | \$36.71 | N/A | 20 | \$1,358,187 | Bonus; \$5 & \$10/ac Min | 12.5% & 16.66667% Royalty |
| 10/29/2003 | NS 2003** | North Slope | Areawide | 210,006 | N/A | \$17.08 | N/A | 75 | \$3,586,400 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 5/19/2004 | CI 2004* | Cook Inlet | Areawide | 227,475 | N/A | \$7.33 | N/A | 72 | \$1,667,967 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/19/2004 | NSF 2004 | NS Foothills | Areawide | 19,796 | N/A | \$5.37 | N/A | 5 | \$106,305 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/27/2004 | BS 2004 | Beaufort Sea | Areawide | 113,570 | N/A | \$36.90 | N/A | 28 | \$4,190,782 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 10/27/2004 | NS 2004** | North Slope | Areawide | 197,916 | N/A | \$38.40 | N/A | 57 | \$7,599,193 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 5/18/2005 | CI 2005* | Cook Inlet | Areawide | 174,661 | N/A | \$5.98 | N/A | 55 | \$1,044,661 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/18/2005 | NSF 2005 | NS Foothills | Areawide | 55,505 | N/A | \$5.76 | N/A | 12 | \$319,959 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/26/2005 | AK PEN 2005 | Alaska Penin-sula | Areawide | 190,494 | N/A | \$6.03 | N/A | 37 | \$1,149,253 | Bonus; \$5/acre Min | 12.5% Royalty |
| 3/1/2006 | BS 2006 | Beaufort Sea | Areawide | 204,260 | N/A | \$37.62 | N/A | 62 | \$7,685,032 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 3/1/2006 | NS 2006** | North Slope | Areawide | 564,600 | N/A | \$27.88 | N/A | 145 | \$15,741,677 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 5/24/2006 | CI 2006 | Cook Inlet | Areawide | 222,064 | N/A | \$13.19 | N/A | 71 | \$2,845,843 | Bonus; \$10/acre Min | 12.5% Royalty |
| 5/24/2006 | NSF 2006 | NS Foothills | Areawide | 160,750 | N/A | \$7.50 | N/A | 45 | \$1,274,224 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/25/2006 | BS 2006A** | Beaufort Sea | Areawide | 29,157 | N/A | \$20.57 | N/A | 13 | \$521,871 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 10/25/2006 | NS 2006A** | North Slope | Areawide | 138,088 | N/A | \$14.27 | N/A | 44 | \$2,079,006 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 2/28/2007 | AK PEN 2007 | Alaska Penin-sula | Areawide | 5,728 | N/A | \$6.77 | N/A | 1 | \$38,778 | Bonus; \$5/acre Min | 12.5% Royalty |
| 2/28/2007 | NSF 2007 | NS Foothills | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/23/2007 | CI 2007 | Cook Inlet | Areawide | 133,858 | N/A | \$13.30 | N/A | 45 | \$1,780,415 | Bonus; \$10/acre Min | 12.5% Royalty |
| 10/24/2007 | BS 2007** | Beaufort Sea | Areawide | 43,250 | N/A | \$13.24 | N/A | 21 | \$704,582 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 10/24/2007 | NS 2007** | North Slope | Areawide | 64,421 | N/A | \$20.37 | N/A | 18 | \$1,223,726 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 2/27/2008 | AP 2008 | Alaska Penin-sula | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 2/27/2008 | FH 2008 | NS Foothills | Areawide | 26,607 | N/A | \$5.20 | N/A | 5 | \$138,356 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/21/2008 | CI 2008 | Cook Inlet | Areawide | 10,989 | N/A | \$11.95 | N/A | 9 | \$172,374 | Bonus; \$10/acre Min | 12.5% Royalty |

Summary of State Competitive Lease Sales 1959-2011

| Sale Date | Sale | Sale Area | Acres Offered | Acres Leased | Percent Leased | Average \$/Acre | Tracts Offered | Tracts Leased | Bonus Received | Bid Variable | Fixed Terms |
|---------------|------------------|-------------------|---------------|-------------------|----------------|-----------------|----------------|---------------|------------------------|--|---------------------------------|
| 10/22/2008 | BS 2008** | Beaufort Sea | Areawide | 75,820 | N/A | \$25.74 | N/A | 32 | \$1,951,912 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 10/22/2008 | NS 2008** | North Slope | Areawide | 197,774 | N/A | \$28.92 | N/A | 60 | \$5,719,724 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 5/20/2009 | AP 2009 | Alaska Penin-sula | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/20/2009 | CI 2009 | Cook Inlet | Areawide | 5,733 | N/A | \$14.07 | N/A | 4 | \$80,678 | Bonus; \$10/\$1000/acre Min | 12.5% Royalty & 17.707% Royalty |
| 10/22/2009 | BS 2009 | Beaufort Sea | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Postponed | |
| 10/22/2009 | FH 2009 | NS Foothills | Areawide | 0 | N/A | \$5.22 | N/A | 0 | \$0 | Bonus; \$5/acre Min Lease Forfeited | 12.5% Royalty |
| 10/22/2009 | NS 2009 | North Slope | Areawide | 303,346 | N/A | \$26.50 | N/A | 80 | \$803,923 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 2/24/2010 | BS 2010 | Beaufort Sea | Areawide | 41,579 | N/A | \$17.41 | N/A | 18 | \$724,102 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 5/26/2010 | AP 2010 | Alaska Penin-sula | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 5/26/2010 | CI 2010 | Cook Inlet | Areawide | 104,629 | N/A | \$16.40 | N/A | 35 | \$1,716,407 | Bonus; \$10/acre Min | 12.5% Royalty |
| 10/27/2010 | FH 2010 | NS Foothills | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 10/27/2010 | NS 2010** | North Slope | Areawide | 602,880 | N/A | \$14.62 | N/A | 129 | \$8,671,557 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 10/27/2010 | BS 2010A | Beaufort Sea | Areawide | 62,965 | N/A | \$10.08 | N/A | 21 | \$634,485 | Bonus; \$10/acre Min | 12.5% & 16.66667% Royalty |
| 6/22/2011 | AP 2011 | Alaska Penin-sula | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$5/acre Min | 12.5% Royalty |
| 6/22/2011 | †CI 2011 A & B | Cook Inlet | Areawide | 575,202 | N/A | \$19.34 | N/A | 109 | \$11,125,064 | Bonus; \$10/\$50/acre Min | 12.5% Royalty |
| 12/7/2011 | FH 2011 | NS Foothills | Areawide | 0 | N/A | \$0.00 | N/A | 0 | \$0 | Bonus; \$10/acre Min | 12.5% Royalty |
| 12/7/2011 | †BS 2011W | Beaufort Sea | Areawide | 281,095 | N/A | \$24.46 | N/A | 78 | \$6,874,657 | Bonus; \$10/\$25 acre Min | 12.5% & 16.66667% Royalty |
| 12/7/2011 | †NS 2011W** | North Slope | Areawide | 334,969 | N/A | | N/A | 178 | \$14,110,290 | Bonus; \$10/\$25 acre Min | 12.5% & 16.66667% Royalty |
| TOTAL: | 134 Sales | | | 19,492,887 | | \$108.26 | | 6,922 | \$2,110,286,909 | | |
| TOTAL: | 134 Sales | | | 19,492,887 | | \$108.26 | | 6,922 | \$2,110,286,909 | | |

†Economic Incentive Credits were offered for these sales.

** Sale 86A: State received \$259,435; ASRC received \$1,766,812

‡ NSF 2002 Bonus does not include 20% of Bonus bid (\$1.25 million) retained by the state for relinquished tracts.

** NS 2003: State received \$3,546,578; ASRC received \$39,822.

** NS 2004: State received \$7,496,152; ASRC received \$103,040

** NS 2006: State received \$97,861,73; ASRC received \$67,339.92

** BS 2006A: State received \$33,843.85; ASRC received \$688.66

** NS 2006A: State received \$37,897.00; ASRC received \$23,331.88

** BS 2007: State received \$78,414.84; ASRC received \$2,093.21

** NS 2007: State received \$33,477.66; ASRC received \$23,222.34

** BS 2008: State received \$28,282.55; ASRC received \$550.71

** NS 2008: State received \$321,584.21; ASRC received \$148,840.60

** NS 2009: State received \$767,493.34; ASRC received \$36,429.97

** NS 2010: State received \$8,823,827.03; ASRC received \$6,476.20

†Acres Leased, Average \$/Acre, and Bonus Received are preliminary figures.

State Competitive Sale Areas 1959-2011

| DATE | SALE | |
|----------|------|--|
| 12/10/59 | 1 | Wide Bay; offshore Kenai to Ninilchik, Kachemak Bay |
| 07/13/60 | 2 | Kenai Pen., West Forelands, Nushagak Bay; offshore/uplands |
| 12/07/60 | 3 | Katalla, Kalifonsky Beach, Herendeen Bay; offshore Kodiak |
| 01/25/61 | 4 | Uplands Ninilchik |
| 05/23/61 | 5 | Tyonek, Controller Bay, Pavlov Bay; offshore/uplands |
| 08/04/61 | 6 | Controller Bay (Special Sale); offshore |
| 12/19/61 | 7 | Icy, Yakutat & Kachemak Bays, So. Kenai Pen., N. Cook Inlet; offshore/uplands |
| 04/24/62 | 8 | Big Lake; uplands |
| 07/11/62 | 9 | Tyonek, W. Forelands, Knik Arm/Kalgin Is., Chisik Is., So. Kenai Pen., Wide Bay; offshore/uplands |
| 05/08/63 | 10 | Tyonek, Kenai; offshore/uplands |
| 12/11/63 | 12 | S. of Forelands, Knik & Turnagain Arms, Upper Cook Inlet, Kenai Pen., Tyonek to Katunu River; offshore/uplands |
| 12/09/64 | 13 | Fire Is., W. Forelands, Trinity Is., Prudhoe West; offshore/uplands |
| 07/14/65 | 14 | Prudhoe West to Canning R.; offshore/uplands |
| 09/28/65 | 15 | Fire Is. & N. Cook Inlet, Kalgin Is., Redoubt Bay, Knik, S. Kenai Pen.; offshore/uplands |
| 07/19/66 | 16 | Kenai Pen. & Knik, Middleton Is., Fire Is., Redoubt Bay, Kalgin Is., Iliamna Mt., N. Cook Inlet; offshore/uplands |
| 11/22/66 | 17 | Big Lake, Kenai; offshore/uplands |
| 01/24/67 | 18 | Katalla, Prudhoe; offshore/uplands |
| 03/28/67 | 19 | Lower Cook Inlet; offshore |
| 07/25/67 | 20 | Big Lake, Knik, Iliamna Mt., Belukha, N. Cook Inlet, Kalgin Is., Ninilchik; offshore/uplands |
| 03/26/68 | 21 | Port Heiden & Port Moller; offshore |
| 10/29/68 | 22 | Big Lake, Knik, Belukha, West Forelands, Ninilchik, Kachemak & Kenai; uplands |
| 09/10/69 | 23 | Colville to Canning R.; offshore/uplands |
| 05/12/71 | 24 | Big Lake, Knik, Kenai, West Forelands; uplands |
| 12/11/72 | 26 | Cook Inlet (Between Forelands & Turnagain Arm); offshore/uplands |
| 09/26/72 | 25 | Big Lake, Knik, Belukha, North Cook Inlet; offshore/uplands |
| 05/09/73 | 27 | Tuxedni, Ninilchik, Kenai, Kalgin; offshore/uplands |
| 12/13/73 | 28 | Ninilchik, Kachemak Bay, Belukha; offshore/uplands |
| 10/23/74 | 29 | Kalgin & West Forelands, Chisik, Ninilchik, N. Cook Inlet, Turnagain, Big Lake; offshore/uplands |
| 07/24/79 | 29B | Copper River Basin |
| 12/12/79 | 30 | Beaufort Sea (Joint Federal & State Sale): offshore Milne Pt. east to Flaxman Is. |
| 09/16/80 | 31 | Prudhoe Uplands: Kugaruk R. to Mikkelsen Bay |
| 08/25/81 | 32 | Lower Cook Inlet: Kenai Pen. and offshore |
| 05/13/81 | 33 | Upper Cook Inlet: Kenai Pen., Trading Bay, Beluga, Susitna R., Susitna Flats, uplands; offshore north of Salamatof |
| 02/02/82 | 35 | Lower Cook Inlet: Kenai Pen., Redoubt Cr. north to Drift R., uplands; offshore lower Cook Inlet |
| 05/26/82 | 36 | Beaufort Sea: Pt. Thomson area; offshore/uplands |
| 08/24/82 | 37 | Middle Tanana & Copper River Basins |
| 08/24/82 | 37A | Chakok River Exempt (Kenai Pen.); uplands |
| 09/28/82 | 34 | Prudhoe Uplands: Sagavanirktok R. to Canning R. |
| 05/17/83 | 39 | Beaufort Sea: Qwydyr Bay to Harrison Bay; offshore/uplands |

State Competitive Sale Areas 1959-2011

| | | |
|----------|---------------------------|---|
| 09/28/83 | 40 | Upper Cook Inlet: Anchorage south to Homer; offshore/uplands |
| 05/22/84 | 43 | Beaufort Sea: Pitt Point east to Harrison Bay; offshore |
| 05/22/84 | 43A | Colville R. Delta/Prudhoe Bay Uplands Exempt: West of Kavik R.; offshore/uplands |
| 09/18/84 | 41 | Bristol Bay Uplands: Kvichak R. to Port Heiden |
| 02/26/85 | 46A | Cook Inlet Exempt: Kenai Pen., Susitna R., Pt. MacKenzie, uplands; upper Cook Inlet |
| 09/24/85 | 45A | North Slope Exempt: Canning R. to Colville R.; offshore/uplands |
| 09/24/85 | 47 | Kuparuk Uplands: South of Prudhoe Bay |
| 02/25/86 | 48 | Kuparuk Uplands: South of Kuparuk oil field |
| 02/25/86 | 48A | Mikkelsen Exempt: Mikkelsen Bay, Foggy Is. Bay; offshore/uplands |
| 06/24/86 | 49 | Cook Inlet: Kalgin Is., Kahiltna, Yentna, Skwentna rivers, Alexander Cr.; offshore/uplands |
| 01/27/87 | 51 | Prudhoe Bay Uplands: Canning R. to Sagavanirktok R. |
| 06/30/87 | 50 | Camden Bay: Flaxman Is. to Hulahula R.; offshore |
| 09/28/88 | 55 | Demarcation Point: Canning R. to U.S./Canadian border; offshore |
| 09/28/88 | 69A | Kuparuk Uplands Exempt: Canning R. to Colville R. |
| 01/26/88 | 54 | Kuparuk Uplands: Colville River Delta |
| 01/24/89 | 52 | Beaufort Sea: Pitt Point to Tangent Point; offshore |
| 01/24/89 | 72A | Oliktok Point Exempt: Uplands |
| 01/29/91 | 67A | Cook Inlet Exempt: Anch., lower Susitna Valley, Redoubt & Trading Bay, Kenai Pen., uplands; upper inlet, offshore |
| 01/29/91 | 70A | Kuparuk Uplands Exempt: Canning R. to Colville R. |
| 06/04/91 | 64 | Kavik: Canning R. to Sagavanirktok R.; uplands |
| 06/04/91 | 65 | Beaufort Sea: Pitt Point to Canning R.; offshore |
| 09/24/91 | 74 | Cook Inlet: Nikishka to Niniichik, Drift R., West Forelands, uplands; Kalgin Is. north to Kenai Pen., offshore |
| 01/22/92 | 61 | White Hills: Colville R. to White Hills; uplands |
| 06/02/92 | 68 | Beaufort Sea: Nulavik to Tangent Point; offshore |
| 12/08/92 | 75 | Kuparuk Uplands: Between NPRA and Sagavanirktok R.; Colville R. Delta ASRC lands |
| 01/26/93 | 76 | Cook Inlet: Big Lake to Salamatof; onshore/offshore |
| 01/26/93 | 67A-W | Cook Inlet Reoffer: Nancy Lake to West Forelands; onshore/offshore |
| 05/25/93 | 77 | Nanushuk: North Slope Foothills, Chandler R. to Ivanshak R |
| 05/25/93 | 70A-W | Kuparuk Uplands Reoffer: Between Canning R. and Kavik R.; onshore |
| 09/21/93 | 57 | North Slope Foothills: Brooks Range foothills, Sagavanirktok R. to Killik R |
| 09/21/93 | 75A | Colville River Exempt: Colville River Delta onshore |
| 10/31/94 | 78 | Cook Inlet: Susitna R. to Stariski Cr.; onshore/offshore |
| 11/14/95 | 67A-W2 | Cook Inlet Reoffer: Trading Bay and Susitna R., onshore/offshore |
| 11/14/95 | 74W | Cook Inlet Reoffer: Onshore/offshore, mouth of Kasilof R. |
| 11/14/95 | 76W | Cook Inlet Reoffer: Onshore between Tyonek and Palmer, Knik Arm |
| 11/14/95 | 78W | Cook Inlet Reoffer: Forelands to Little Susitna R, Kasilof R. to Stariski Pt., onshore/offshore |
| 12/05/95 | 80 | Shavirovik: Sag R. to Canning R., southern Kaparuk Uplands, Gwydyr Bay, Foggy Island Bay, onshore/offshore |
| 10/01/96 | 86A | Colville River Exempt: Colville R, offshore, state/ASRC onshore/offshore |
| 12/18/96 | 85A | Cook Inlet Exempt: Anchor Pt. and Tuxedni Bay to Turnagain Arm, Beluga R. offshore/onshore |
| 11/18/97 | 86 | Central Beaufort Sea: Harrison Bay to Flaxman Island |
| 02/24/98 | 85A-W | Cook Inlet Reoffer: Onshore/offshore; Tyonek to Tuxedni Bay and Chickaloon Bay to Niniichik |
| 06/24/98 | 87 | North Slope Areawide: State acreage between NPRA and ANWR north of the Umiat Baseline |
| 02/24/99 | North Slope Areawide 1999 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 04/21/99 | Cook Inlet Areawide 1999 | State acreage between Anchor Pt. and Houston |
| 08/16/00 | Cook Inlet Areawide 2000 | State acreage between Anchor Pt. and Houston |

State Competitive Sale Areas 1959-2011

| | | |
|----------|-------------------------------------|---|
| 11/15/00 | North Slope Areawide 2000 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 11/15/00 | Beaufort Sea Areawide 2000 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/16/01 | Cook Inlet Areawide 2001 | State acreage between Anchor Pt. and Houston |
| 05/16/01 | North Slope Foothills Areawide 2001 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/24/01 | North Slope Areawide 2001 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/24/01 | Beaufort Sea Areawide 2001 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/01/02 | Cook Inlet Areawide 2002 | State acreage between Anchor Pt. and Houston |
| 05/01/02 | North Slope Foothills Areawide 2002 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/24/02 | North Slope Areawide 2002 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/24/02 | Beaufort Sea Areawide 2002 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/07/03 | Cook Inlet Areawide 2003 | State acreage between Anchor Pt. and Houston |
| 05/07/03 | North Slope Foothills Areawide 2003 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/29/03 | North Slope Areawide 2003 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/29/03 | Beaufort Sea Areawide 2003 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/19/04 | Cook Inlet Areawide 2004 | State acreage between Anchor Pt. and Houston |
| 05/19/04 | North Slope Foothills Areawide 2004 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/27/04 | North Slope Areawide 2004 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/27/04 | Beaufort Sea Areawide 2004 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/18/05 | Cook Inlet Areawide 2005 | State acreage between Anchor Pt. and Houston |
| 05/18/05 | North Slope Foothills Areawide 2005 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/26/05 | Alaska Peninsula Areawide 2005 | State acreage between Nushagak and Kvichak Bays to Moffet Point |
| 03/01/06 | North Slope Areawide 2006 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 03/01/06 | Beaufort Sea Areawide 2006 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 05/24/06 | Cook Inlet Areawide 2006 | State acreage between Anchor Pt. and Houston |
| 05/24/06 | North Slope Foothills Areawide 2006 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 10/25/06 | North Slope Areawide 2006A | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/25/06 | Beaufort Sea Areawide 2006A | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 02/28/07 | Alaska Peninsula Areawide 2007 | State acreage between Nushagak and Kvichak Bays to Moffet Point |
| 02/28/07 | North Slope Foothills Areawide 2007 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 05/23/07 | Cook Inlet Areawide 2007 | State acreage between Anchor Pt. and Houston |
| 10/24/07 | North Slope Areawide 2007 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/24/07 | Beaufort Sea Areawide 2007 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 02/27/08 | Alaska Peninsula Areawide 2008 | State acreage between Nushagak and Kvichak Bays to Moffet Point |
| 02/27/08 | North Slope Foothills Areawide 2008 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 05/21/08 | Cook Inlet Areawide 2008 | State acreage between Anchor Pt. and Houston |
| 10/22/08 | North Slope Areawide 2008 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/22/08 | Beaufort Sea Areawide 2008 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 5/20/09 | Alaska Peninsula Areawide 2009 | State acreage between Nushagak and Kvichak Bays to Moffet Point |
| 5/20/09 | Cook Inlet Areawide 2009 | State acreage between Anchor Pt. and Houston |
| | Beaufort Sea Areawide 2009 | Sale was postponed |
| 10/28/09 | North Slope Areawide 2009 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/28/09 | North Slope Foothills Areawide 2009 | State acreage between NPRA and ANWR south of the Umiat Baseline |
| 2/24/10 | Beaufort Sea Areawide 2010 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 5/26/10 | Alaska Peninsula Areawide 2010 | State acreage from the Nushagak Peninsula in the north, down the north side of the Alaska Peninsula to the vicinity of Cold Bay |

State Competitive Sale Areas 1959-2011

| | | |
|----------|-------------------------------------|---|
| 5/26/10 | Cook Inlet Areawide 2010 | State acreage between Anchor Point and Houston |
| 10/27/10 | North Slope Foothills Areawide 2010 | State acreage between NPRA and ANWR, south of the Umiat Baseline |
| 10/27/10 | North Slope Areawide 2010 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 10/27/10 | Beaufort Sea Areawide 2010A | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |
| 6/22/11 | Alaska Peninsula Areawide 2011 | State acreage from the Nushagak Peninsula in the north, down the north side of the Alaska Peninsula to the vicinity of Cold Bay |
| 6/22/11 | Cook Inlet Areawide 2011 | State acreage between Anchor Point and Houston |
| 12/7/11 | North Slope Foothills Areawide 2011 | State acreage between NPRA and ANWR, south of the Umiat Baseline |
| 12/7/11 | North Slope Areawide 2011 | State acreage between NPRA and ANWR north of the Umiat Baseline |
| 12/7/11 | Beaufort Sea Areawide 2011 | State acreage within the 3-mile limit, between Dease Inlet and Barter Island |

Exploration Licensing

Exploration licensing supplements the state's oil and gas leasing program and encourages oil and gas exploration outside of the known oil and gas provinces in the Alaska Peninsula, Cook Inlet, Beaufort Sea, North Slope, and North Slope Foothills areas. The holder of an oil and gas exploration license has the exclusive right to explore an area between 10,000 acres and 500,000 acres for up to ten years.

Rather than an up-front bonus payment to the state, as is done in competitive leasing, a licensee must commit direct expenditures for exploration. Because a license has no annual rental payments, the only money guaranteed the state is a one-time \$1 per acre licensing fee, which is paid upon acceptance. However, the state is provided all of the geological and geophysical information acquired by the licensee so it may evaluate an area's resource potential.

Each application for an exploration license must go through a public notice and written finding process to determine whether issuance of a license is in the state's best interest. DNR first issues a notice of intent to evaluate the exploration license proposal and solicits any competing proposals for the area. It then requests public comment on the proposal(s) and goes through a written finding process similar to that for oil and gas leasing to determine whether issuing a license for the area is in the best interest of the state. If competing proposals

are submitted for an area, the applicants must submit sealed bids. The successful bidder is determined by the highest bid in terms of the minimum work commitment dollar amount.

The licensee must commit 25 percent of the total specified work commitment by the fourth anniversary of the exploration license. Once the total work commitment is met, the licensee may convert all or a portion of the license area to oil and gas leases without going through a competitive bidding process. Upon conversion, the lessee begins paying the state annual rental fees of \$3 per acre. Should exploration lead to development and production, the state is entitled to a royalty share of at least 12.5 percent.

Five-Year Licensing Program

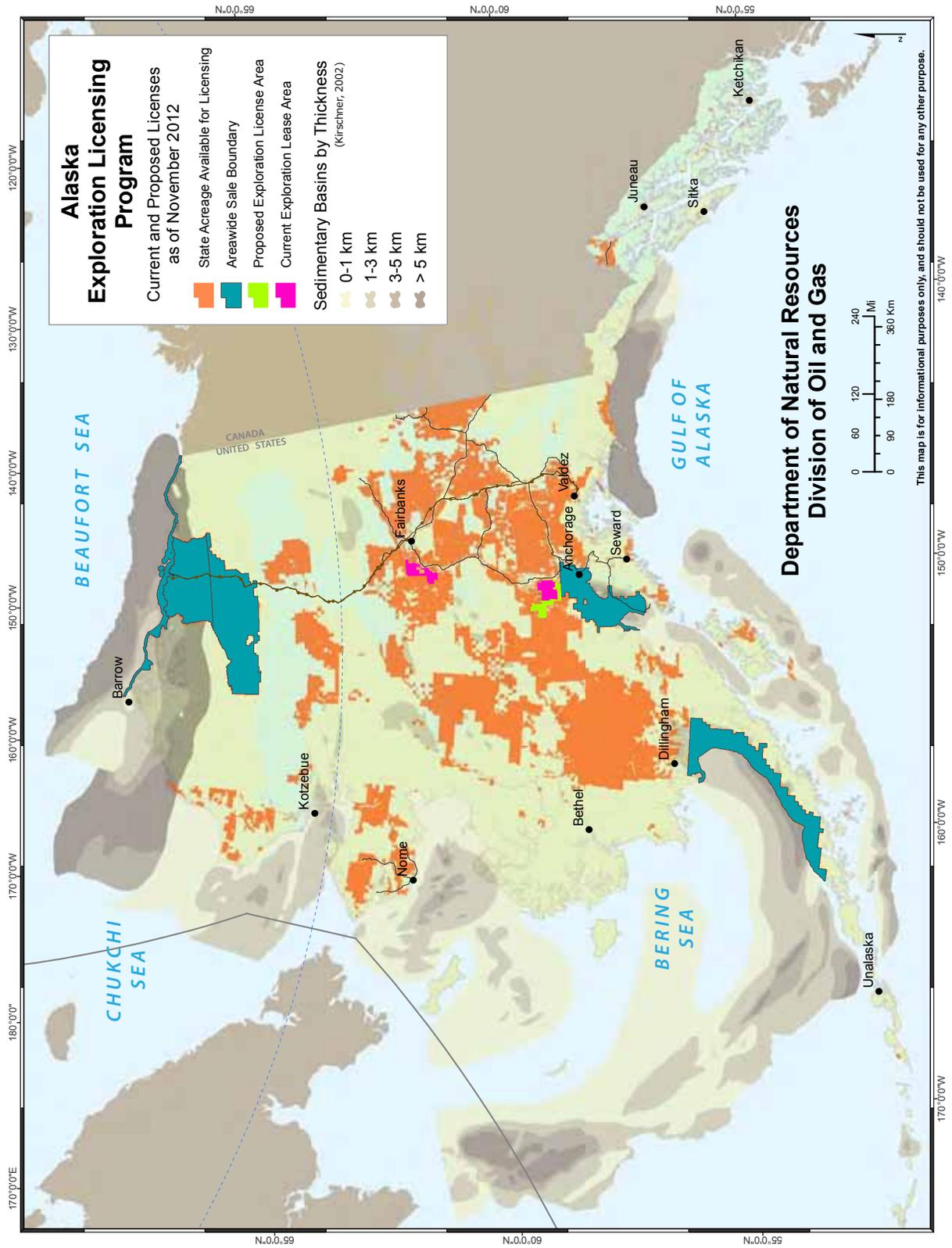
DNR accepts proposals for oil and gas exploration licenses during April of each year, as specified in 11 AAC 82.909. Land not eligible for licensing is specified in AS 38.05.131. The following table shows current active licenses and pending applications, and their current status. The Healy exploration license was issued on December 20, 2010. A final finding on remand for the Holitna exploration license was issued on December 9, 2009. The Crooked Creek-Circle and Houston-Willow applications have received public notice and are pending issuance of preliminary best interest findings.

Exploration Licenses

| Location | ADL/ Status | Licensee | Acres | Work Commitment | Effective Date | Term |
|----------------------------|--------------------|--------------------------------------|---------|-----------------|----------------|---------|
| Susitna Basin II* | 390078 Active | Cook Inlet Energy LLC | 471,474 | \$3,000,000 | 11/1/2003 | 10 Yrs |
| Nenana Basin** | 390079 Active | Doyon Ltd; ASRC; Usibelli Energy LLC | 482,942 | \$2,525,000 | 10/1/2002 | 10 Yrs |
| Crooked Creek-Circle Basin | 391236 Application | BGI North America LLC | 72,443 | \$500,000 | Proposed | 10 Yrs) |
| Holitna Basin | 390607 | Holitna Energy Co. LLC | 26,791 | \$80,373 | Pending | |
| Healy Basin | 390606 Active | Usibelli Coal Mine Inc. | 197,635 | \$500,000 | 1/1/2011 | 10 Yrs |
| Houston- Willow Basin | 391282 Application | LAPP Resources Inc. | 21,080 | \$500,000 | Proposed | 10 Yrs |
| Susitna Basin IV | 391628 Active | Cook Inlet Energy LLC | 62,909 | \$2,250,000 | 4/1/2011 | 10 Yrs |
| Susitna Basin V | 391794 Application | Cook Inlet Energy LLC | 45,886 | \$250,000 | Pending | 10 Yrs |

* License extended from seven to ten years on November 1, 2010. Cook Inlet Energy LLC committed an additional \$750,000.00 in work commitments.

**License extended from seven to ten years on October 21, 2008. Part of the license area will be patented to University of Alaska per 2005 legislation and settlement agreement.



Geothermal Leasing

DNR has held a total of three geothermal lease sales, all for areas along the southern flanks of Mount Spurr, located about 40 miles northwest of Tyonek. The first two sales, held in 1983 and 1986, did not result in any development. In 2006, amid renewed interest in Alaska's geothermal resource potential, DNR received requests from industry to make Mt. Spurr available for geothermal leasing again. On September 10, 2008, DNR held the Mount Spurr Geothermal Lease Sale No. 3, and received 20 bids on all 16 available tracts, generating \$3,527,073.34 in bonus bids.

DNR has also received interest in geothermal resource development on Augustine Island, located in lower Cook Inlet. DNR is currently in the process of evaluating the area. A finding to determine whether it is in the state's best interest to offer the area for geothermal leasing is in progress.

The increasing interest in geothermal resources is further evidenced by two additional exploration projects taking place on private land, one on the Alaska Peninsula near Naknek, and one currently underway in the Aleutians at Akutan.

Geothermal leasing procedures are set out in 11 AAC 84.700 through .950. For areas of known geothermal potential, the commissioner may designate a proposed geothermal disposal area comprised of individual tracts of not more than 2,560 acres, and invites public comment on the proposed area, and applications for the tracts during a specified time period. After reviewing available geologic information and the response to the call for applications, the commissioner determines whether to offer the tracts for competitive leasing, or

issue noncompetitive geothermal prospecting permits. Noncompetitive prospecting permits may be issued for tracts receiving only one application; tracts receiving two or more applications must be leased competitively. A decision that the lease sale is in the best interests of the state of Alaska, or "Best Interest Finding," is required before the lease sale can occur.

The competitive geothermal lease sale process is conducted in the same manner as for oil and gas lease sales, which consist of a public opening and reading of sealed bonus bids. The highest qualified bidder per acre on a tract is awarded the lease.

Geothermal leases are issued for a primary term of ten years, with one five year extension possible if the lessee has begun operations necessary to drill a geothermal well. Geothermal lease extension requirements are set out in 11 AAC 84.745. Once commercial production has begun, leases will be extended for the duration of commercial production. Annual lease rentals are \$3 per acre, and the state's royalty rate is 1.75 percent of the gross revenues derived from the production, sale, or use of geothermal resources under the lease during the first ten years immediately following the date the geothermal resources 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-year period.

For more information on the state's geothermal leasing program, please see the division's web page at

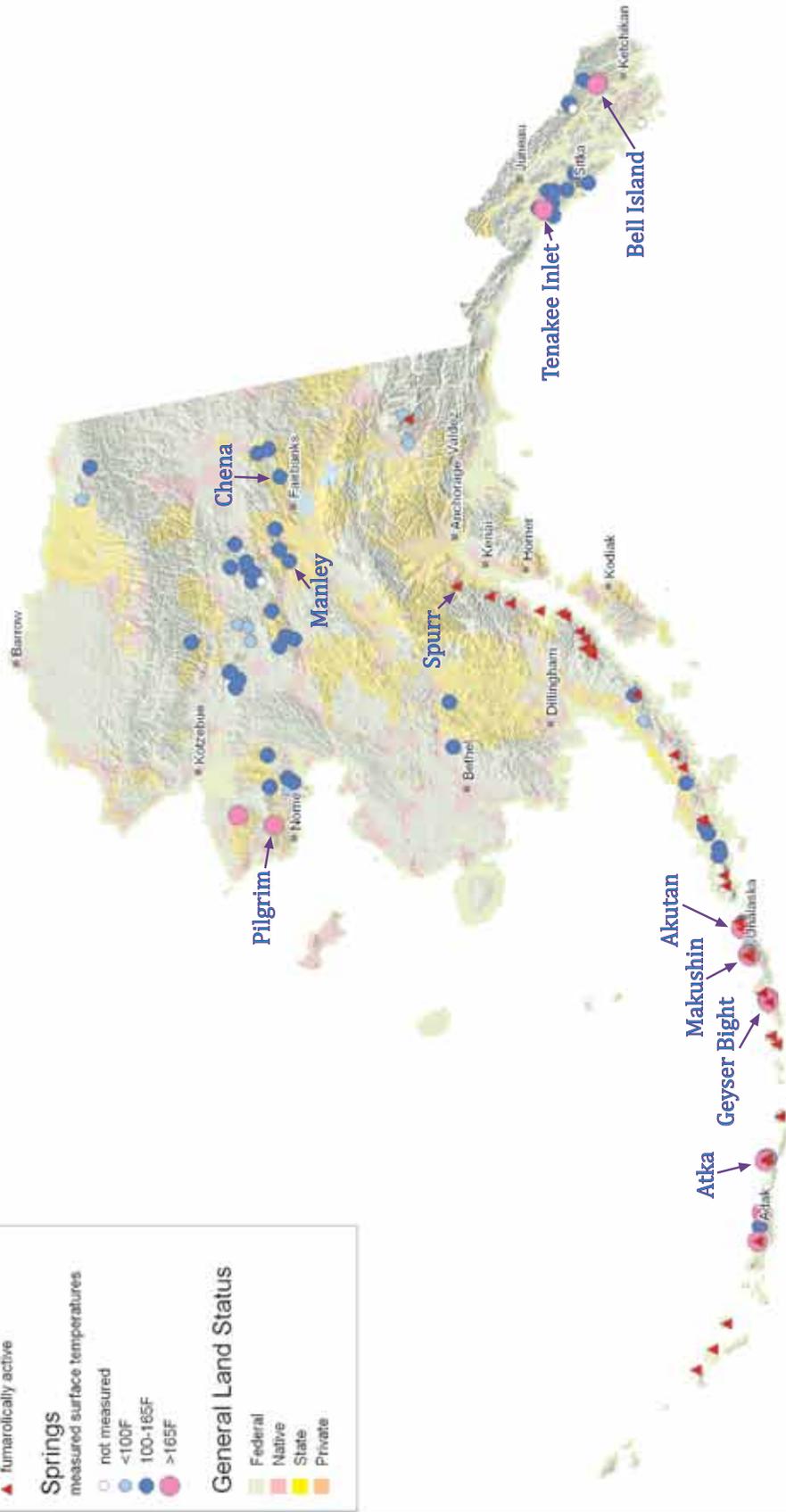
<http://www.dog.dnr.state.ak.us/oil/products/publications/geothermal/geothermal.html>

Active Geothermal Leases

| Location | ADL | Lessee | Acres | Effective Date | Expires |
|-----------|-----------------|-------------------|-----------|----------------|------------|
| Mt. Spurr | 391354 - 391368 | Ormat Nevada Inc. | 35,806.90 | 11/1/2008 | 10/31/2018 |
| Mt. Spurr | 391369 | Chad Attermann | 250.23 | 11/1/2008 | 10/31/2018 |

Geothermal Resources in Alaska

surface manifestations



DNR / Geological & Geophysical Surveys
2008

Data from: Motyka, R.J., Moorman, M.A., and Liss, S.A., 1983, Geothermal resources of Alaska: Alaska Division of Geological & Geophysical Surveys Miscellaneous Publication 8, 1 sheet, scale 1:2,500,000.
<http://www.dggs.state.ak.us/pubs/pubs?reqtype=citation&ID=671>

Qualifications for Bidding

QUALIFYING TO APPLY FOR, OBTAIN, OR TRANSFER AN INTEREST, PERMIT, OR LEASE RELATING TO OIL AND GAS IN ALASKA

Who Must File

Every individual, association or partnership, corporation, or person authorized to act on behalf of another party must qualify with the Division of Oil and Gas prior to bidding for lease tracts. Qualification also must be obtained prior to applying for, obtaining, or transferring interest in a permit or lease issued under AS 38.05.135 - 38.05.184.

Where to File

Address any required information or inquiries regarding qualifications to State of Alaska, Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 1100, Anchorage, Alaska 99501-3560. Hand-carried material should be delivered to the same address.

How to File

The following is a list of the information and documents required when qualifying under 11 AAC 82.200 - 11 AAC 82.205. Information and documents that have been filed previously and are still current may be sufficient to qualify individuals or other entities.

A. Individuals

11 AAC 82.205(a)(2). Individuals must submit a signed, dated statement that includes the applicant's name, address, and telephone number, preferably notarized, attesting that:

The individual has reached the age of majority (in Alaska the age of majority is 18 years, except for those who are emancipated earlier by marriage or by court order), a citizen of the United States or an alien qualified under AS 38.05.190.

Forms may be obtained from the Division of Oil and Gas upon request, or online at: http://www.dog.dnr.state.ak.us/oil/programs/leasing/leaseadmin/stmn-qual_rev04-09.pdf or a statement including the necessary information may be composed and submitted by an individual.

Any legal representative, guardian, or trustee for an individual must submit a certified copy of the court order authorizing the representative to act in that capacity and to fulfill, on behalf of the individual, all obligations arising under the lease or permit. The representative must also submit a signed statement as to the age of the individual and themselves.

Agents for an individual must submit an original or certified copy of a notarized power of attorney instrument authorizing the agent to act on behalf of the individual.

B. Corporations and LLCs

Corporations must submit:

- 1) the current name, mailing address, phone and fax numbers of the corporation;
- 2) a list of the individuals (officers for corporations; members/managers for LLCs) authorized to act on its behalf with respect to oil and gas leasing or permitting;
- 3) an original or certified copy of a notarized power of attorney authorizing any agent who is not a current officer/member/manager but who has been authorized by the corporation/LLC to act on its behalf with respect to the mineral specified in the permit or lease;
- 4) a current Certificate of Compliance (Certificate of Good Standing) for those corporations qualified to do business in Alaska;

-or-

- 5) if filing for the first time, either:
 - a) a Certificate of Incorporation (Certificate of Organization for an LLC) from those corporations which have been incorporated in the state of Alaska (also known as "domestic" corporations), or
 - b) a Certificate of Authority (Certificate of Registration for an LLC) from those corporations which have been incorporated outside the state of Alaska (also known as "foreign" corporations).

The required certificates must be requested from the Alaska Department of Commerce, Community and Economic Development (DCCED). Certificates may be purchased online at www.dced.state.ak.us/occ/, e-mail: corporations@alaska.gov.

These documents may also be obtained by mail from:

Alaska Department of Commerce, Community and Economic Development (DCCED)
Attention: Corporations Section
9th Floor, State Office Building
P. O. Box 110808
Juneau, Alaska 99811-0808
(907) 465-2530

-or-

Alaska Department of Commerce and
Economic Development
Attention: Corporations Section
550 W 7th Ave., Suite 1500
Anchorage, Alaska 99501
(907) 269-8173

Inquiries about incorporating in the state of Alaska, or qualifying as a foreign corporation to do business in the state of Alaska should be addressed to personnel at either of the above addresses.

C. Unincorporated Associations

Unincorporated Associations, partnerships or joint ventures must submit:

- 1) a statement describing the business relationships between members of the association, partnership or joint venture;
- 2) a statement of qualifications for each member of the association, partnership, or joint venture (outlined in Section A);

-and/or-

if some or all of the members are incorporated entities, all information required for corporations (described in Section B) must also be submitted; and

- 3) in the case of an agent acting on behalf of an individual, an original or certified copy of a notarized power of attorney defining the agent's authority to sign with respect to the mineral specified in the permit or lease on behalf of the partnership, association or joint venture.

If still current, material previously filed with the department satisfying all or part of the requirements of this section may be incorporated in an application by appropriate reference together with a statement as to any material changes or amendments. Qualified parties are responsible for ensuring that any changes in this information is updated with the division.

Sources:

- 11 AAC 82.200
- 11 AAC 82.205
- AS 38.05.020
- AS 38.05.145(a)

Further Information

For further information regarding qualifying for Alaska oil and gas leases, please contact the State of Alaska, Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 1100; Anchorage, Alaska 99501-3560; Phone (907) 269-8810 or visit our Web site at <http://www.dog.dnr.state.ak.us>.

Financial Incentives and Tax Credit Programs

Production Tax Credits

The State assesses a production tax equal to between 25 and 75 percent of a measure of net cash flow. In determining net cash flow, field operating and capital expenditures ("lease expenditures") are deductible. In addition, there are credits that can be used to offset tax liability for the current tax year, carried forward to offset tax liability in a future year, or sold to another taxpayer or, if certain conditions are met, sold back to the State.

Under AS 43.55.023(a) transferable credits are issued by the Alaska Department of Revenue for qualified capital expenditures (QCE credits) including most development-related capital expenditures and any exploration capital expenditures that do not qualify under AS 43.55.025 (see below). On the North Slope and north of 68 degrees north latitude credits are issued for 20 percent of qualified capital expenses paid out over two years.

AS 43.55.023(m) and (n) establishes that, in Cook Inlet and anywhere south of 68 degrees north latitude, credits equal to 40 percent of capital expenses related to wells that qualify under AS 43.55.025 may be taken in the first year after that expense is incurred. Credits for other qualified capital expenses must be split and claimed over a two year period.

To qualify for exploration credits under AS 43.55.023, the producer or explorer must agree to the data submission requirements, limits on confidentiality, and other applicable provisions of AS 43.55.025(f) as summarized below.

Under AS 43.55.023(b) transferable credits are issued by the Alaska Department of Revenue for 25 percent of a carried-forward loss or lease expenditure that is not offset by income (Loss Carry-Forward credit). Loss Carry-Forward credits are paid out over two years unless issued under AS 43.55.023(n).

Under AS 43.55.024(a) nontransferable tax credits

are issued by the Alaska Department of Revenue for production south of 68 degrees north latitude and outside of Cook Inlet sedimentary basin (Frontier Basins Production Credit). Credits for any one year shall not exceed \$6 million and continue for nine calendar years after first production. To receive the credit first production must occur before May 1 2016.

Under AS 43.55.024(c) nontransferable tax credits are issued by the Alaska Department of Revenue for production by small-volume producers (Small Producer Credit) as follows: \$12 million per calendar year for producers with production less than 50,000 barrels of oil equivalent (BOE) per day; the credit amount declines on a straight line sliding scale to zero credit for production greater than 100,000 BOE per day. The credit continues for nine calendar years after first production. To receive the credit first production must occur before May 1 2016.

Exploration Tax Credits Under AS 43.55.025

This statute allows for a production tax credit for certain exploration geophysical survey and drilling activities as an alternative to the QCE credits under AS 43.55.023. Provisions for exploration drilling credits under this statute are different for areas inside of and outside of the Cook Inlet sedimentary basin.

For exploration drilling within the Cook Inlet sedimentary basin, the credit is 30 percent of the cost of an exploratory well if the well target is pre-approved or the bottom-hole location of the exploratory well is at least 10 miles from the boundary of any unit. If an exploratory well satisfies both the pre-approval and 10-mile criteria, it receives a 40 percent credit for exploratory expenses. Well data shall be made publicly available after an initial two-year confidential period with some exceptions.

For exploration drilling outside the Cook Inlet sedimentary basin, the credit is 30 percent of the cost of an exploratory well if well target is pre-approved and the bottom hole location is three or more miles from the bottom hole location of a pre-existing well. The 30 percent credit also applies if the bottom hole location of the exploratory well is at least 25 miles from the boundary of any unit. A preexisting well is a well that has been spud more than a year-and-a-half (540 days) before the spud date of the exploratory well. If a pre-approved exploratory well satisfies both the 3-mile and the 25-mile criteria, it receives a 40 percent credit for exploratory expenses.

The program also offers seismic exploration tax credits of 40 percent of eligible costs for those portions of activities outside of a unit.

Data submission requirements and confidentiality provisions for this program are the same throughout Alaska, as specified in 43.55.025(f)(2). The explorer must agree to notify DNR within 30 days of project completion or filing of a claim for credit, whichever is the latest, of the date of project completion and submit a report describing the processing sequence and a list of data sets available. Well data requested by and submitted to DNR will be made publicly available after expiration of the well's 24-month confidentiality period, followed by 30 days public notice. Seismic or other geophysical data will be made publicly available after 10 years followed by 30 days public notice.

Well data include all analyses conducted on physical material and well logs collected from the well, results and copies of data collected and data analyses for the well, including well logs; sample analyses; testing geophysical and velocity data including seismic profiles and check shot surveys; testing data and analyses; age data; geochemical analyses; and tangible material.

Seismic or other geophysical data sets include the data for an entire survey, irrespective of whether the survey area covers non-state land in addition to state land or land in a unit in addition to land outside a unit. Geophysical data include navigation/location data, field data, final output volumes, a report addressing acquisition and processing with processing flow and list of final products, and in the case of seismic data, final gathers and final stacking and migration velocities.

This exploration tax credit program expires on July 1, 2016. The expenses that qualify for credits under this tax program cannot be the basis of for the 20 percent qualified capital expenditure credit under AS 43.55.023(a) or for the 25% qualified capital expenditure credit under AS 43.20.043. However, the exploratory expenses are still deductible as a lease expenditure when calculating production tax liability under AS 43.55.011(e), and can be the basis of a loss carry-forward credit under AS 43.55.023(b) if the explorer lacks production income against which to deduct the exploration expenses. In addition, certain post-exploratory expenses that are ineligible for a credit under AS 43.55.025 can be the basis for a 20% qualified capital expenditure credit under AS 43.55.023(a). Credits under 43.55.025 and 43.55.023 can be either carried forward or transferred to other taxpayers. If a producer is unable to use the credit to offset current tax liability, and is small (produces less than 50,000 barrels of oil equivalent per day), the company can be directly reimbursed by the State for the credit rather than have to sell the credit to another taxpayer or offset future tax liability with the credit.

For the period between July 1, 2008 and June 30, 2009

(Fiscal Year 2009) around \$550 million of these transferrable credits were claimed, with \$193 million paid out directly by the State and another \$350 million used by taxpayers to directly offset liability.

Cook Inlet Jack-Up Tax Credit

Under AS 43.55.025(a)(5) and (m), passed by the Alaska Legislature in 2010, the state of Alaska offers tax credits for exploration expenses of 100, 90 and 80 percent respectively for drilling the first, second and third exploration wells by a jack-up drilling rig, prescribed as follows: 100 percent of the first well up to \$25 million, 90 percent of the second well up to \$22.5 million, and 80 percent of the third well up to \$20 million. Only the first jack-up rig in Cook Inlet receives this credit. Qualifying expenses shall only be for the drilling of wells from a jack-up rig and that test pre-Tertiary strata. All three wells must be drilled by unaffiliated parties. If production results from the drilling of a well that receives this credit, the operator shall repay 50% of credit over ten years following production start-up. This credit shall be taken in lieu of other credits under AS 43.55.023 and AS 43.55.025. This credit shall not apply to any wells drilled outside the Cook Inlet sedimentary basin.

Exploration Incentives Under AS 38.05.180(i)

This statute authorizes the commissioner of the Department of Natural Resources to establish an exploration incentive credit (EIC) system. Credits may be made available for both drilling and geophysical survey costs. This EIC must be designated by the commissioner as a lease sale term for state-owned lands only and is not allowed for exploration costs on unleased, Federal-, or private-owned lands.

For drilling, credits may provide up to 50 percent of costs incurred, depending on well depth and location. Well data shall be made publicly available after an initial two-year confidential period. If demonstrated by the lessee as necessary, confidentiality may be extended.

For geophysical surveys, credits may provide up to 50 percent of costs incurred, if that work is performed during the two seasons immediately preceding an announced lease sale and is on land included within the sale area. The geophysical information must then be made public after the sale. Credits are granted by the commissioner for a limited period and may be assigned to a third party. Credits may be applied against royalty and rental payments to the state, or taxes payable under AS 43.55. Amounts due the Alaska Permanent Fund (AS 37.13.010) are

considered before the application of credits.

Since the state began offering EICs under this program, 22 exploratory wells qualifying for credit have been drilled on state leases. There have been no applications for geophysical EICs. The last claim for this credit was made for a well drilled in 1994.

Natural Gas Exploration Tax Credits Under AS 43.20.043

This program is applicable only to operators and working interest owners engaged in exploration for and development of natural gas resources and reserves south of 68 degrees north latitude. The program allows for a 25 percent tax credit equivalent of qualified capital investments made after December 31, 2009, and 25 percent of the annual cost of activity in the state during each tax year. The total allowable yearly tax credit, which is applicable against corporate income tax only, may not exceed 75 percent of the taxpayer's total tax liability. Unused tax credit may be carried forward for up to five years. Credit is transferable only as part of a conveyance, assignment, or transfer of the taxpayer's business. Credit under this program may be used in conjunction with any other credit authorized by AS 43.20, but not for tax credit or royalty modification provided under any other title. This program expires January 1, 2016.

Nonconventional Natural Gas Rent and Royalty Incentive

Under AS 38.05.180(n)(2), if the lessee under a gas-only lease demonstrates that the potential resources underlying the lease are reasonably estimated to be nonconventional gas, the annual rental payment on the lease will be reduced to \$1 per acre and the royalty may be reduced to 6.25 percent.

Gas Storage Incentives

Under AS 43.20.046, passed by the Alaska Legislature in 2010, natural gas storage tax credits are established for any natural gas storage facility commencing operations between December 31, 2010 and January 1, 2016. The credit equals \$1.50 per thousand cubic feet of "working gas" storage capacity, up to lesser of \$15 million or 25% of the costs incurred to establish gas storage facility. This credit may be used to offset up to 100% of corporate income tax liability, and any excess credit is available for state purchase.

This credit expressly does not apply to gas storage related to gas sales pipeline on the North Slope. To receive the credit under this statute, the facility shall operate as a public utility regulated by the Regula-

tory Commission of Alaska (RCA) with open access for third parties. The storage capacity shall be determined by the Alaska Oil and Gas Conservation Commission (AOGCC).

Additionally, under AS 38.05.180(u), passed by the Alaska Legislature in 2010, natural gas storage that qualifies for a credit under AS 43.20.046 is exempt from rents, fees and royalties for ten years following startup of commercial operation. Non-native natural gas injected and stored in the storage reservoir is presumed to be first-out. All credits and exemption from rent, fee and royalty payments shall be passed through to rate payers.

Royalty Modification

Under AS 38.05.180 (f)(4) (Cook Inlet Discovery Royalty) an explorer that discovers a new pool in Cook Inlet and drills a well capable of producing in paying quantities from that pool, pays only a 5% royalty for the first 10 years of production.

Under AS 38.05.180(f)(5) the state automatically grants royalty reduction for certain Cook Inlet fields identified in the statute for the first 10 years of production.

Under AS 38.05.180(f)(6) for certain platforms in the Cook Inlet, if production falls below a certain level (ranging from 750 to 1,200 barrels per day depending on the field) in barrels per day over a calendar quarter, the royalty is reduced to 5%.

Under AS 38.05.180(j) the Department of Natural Resources may reduce royalties to as low as five percent for delineated reservoirs from which production would not otherwise be economically feasible. For a field already in production, the royalty may be reduced to as low as three percent.

Exploration Licensing

The State generally awards leases in area-wide competitive lease sales. However, for frontier basins in Alaska the State has issued exploration licenses under AS 38.05.132. For these licenses, instead of paying a bonus bid, the licensee specifies a work commitment and posts a bond in the amount of the work commitment along with a \$1 per acre fee. The licensee must make progress toward completing the work commitment over the term of the license. Later, the licensee has the opportunity to convert the license to a lease.

Exploration Incentive Credits

AS 38.05.180(i)

| ADL | WELL | COMPANY | CERTIFICATION DATE | TOTAL AMOUNT |
|------------|--|--------------------------|-----------------------|-----------------|
| 343109 | G-2 Well | Exxon Company USA | 10/05/83 | \$6,197,625.00 |
| | | Sohio Alaska Petro. | 12/27/83 | 4,152,408.75 |
| | | BP Alaska Exploration | 10/05/83 | 2,045,216.25 |
| 344010 | Leffingwell | ARCO Alaska Inc. | 10/02/84 | \$3,706,000.00 |
| | | Unocal | 10/02/84 | 3,706,000.00 |
| 344033 | J-1 Well | Exxon Company USA | 10/31/84 | \$5,119,500.00 |
| 355005 | Long Island Well | Exxon Company USA | 11/14/84 | \$1,367,738.00 |
| | | Sohio Alaska Petroleum | 11/14/84 | 1,378,076.00 |
| 345130 | Totek Hills | ARCO Alaska Inc. | 08/02/85 | \$715,530.81 |
| 355037 | Colville Delta #1 | Texaco Inc. | 07/09/86 | \$952,179.00 |
| | | Amerada Hess | 07/08/86 | 888,594.00 |
| | | Diamond Shamrock (Maxus) | 07/08/86 | 100,128.00 |
| | | Rosewood Resources | 07/08/86 | 12,662.00 |
| | | Hunt Petroleum Co. | 07/08/86 (1) | 8,866.36 |
| | | BP Alaska Exploration | 02/31/87 | 475,631.00 |
| | | Mobil | 02/05/87 | 432,511.00 |
| 364478 (2) | Colville Delta Area AHC 25-13-6 #1 Well | Amerada Hess | 10/12/87 (3) | \$140,071.13 |
| | | Texaco Inc. | 10/12/87 (4) | 771,743.46 |
| | | Maxus Exploration | 10/12/87 (5) | 100,297.41 |
| | | Rosewood Resources | 10/12/87 (6) | 4,111.82 |
| 355038 (2) | Colville Delta #2 | Amerada Hess | 10/28/87 | \$757,731.46 |
| | | Texaco Inc. | 10/28/87 | 898,563.40 |
| | | BP Alaska Exploration | 10/28/88 | 423,982.26 |
| 355039 (2) | Colville Delta #3 | Amerada Hess | 10/28/87 (7) | \$ 0.00 |
| | | Texaco Inc. | 10/28/87 (8) | 0.00 |
| | | BP Alaska Exploration | 10/28/87 (9) | 63,228.39 |
| | | Union Texas Petroleum | 10/28/87 (10) | 14,097.50 |
| 344176 | Gyr #1 | ARCO Alaska, Inc. | 11/15/90 (11) | \$699,302.43 |
| | | Amerada Hess | 11/15/90 (11) | 732,804.63 |
| | | Conoco | 11/15/90 (12) | 732,804.62 |
| 355021 | NW Milne #1 | Conoco | 07/10/92 (13) | \$1,371,691.42 |
| | | Conoco | 02/09/93 | 660,321.00 |
| 375044 | Sequoia #1 | Conoco | 07/10/92 (13) | \$275,521.32 |
| | | Petrofina | 07/10/92 (14) | 227,594.08 |
| | | Conoco | 02/09/93 | 16,333.56 |
| | | Petrofina | 02/09/93 | 19,963.24 |

Exploration Incentive Credits (continued)

| ADL | WELL | COMPANY | CERTIFICATION DATE | TOTAL AMOUNT |
|--------|-----------------|--------------------------|--------------------|----------------|
| 375076 | Cirque #2 | ARCO Alaska, Inc. | 02/09/93 (15) | \$845,018.43 |
| 375108 | Tarn #1 | ARCO Alaska, Inc. | 02/09/93 (16) | \$727,939.95 |
| 355036 | Kalubik #1 | ARCO Alaska, Inc. | 02/09/93 (17) | \$2,599,602.13 |
| | | ARCO Alaska Inc. (UTP) | 03/04/93 | 250,822.50 |
| | | ARCO Alaska Inc. (UTP) | 04/22/93 | 11,779.91 |
| 372104 | Fiord #1 | ARCO Alaska Inc. (UTP) | 02/09/93 (18) | \$1,811,218.84 |
| | | ARCO Alaska Inc. | 03/04/93 | 191,018.62 |
| 372006 | Tulaga #1 | ARCO Alaska Inc. | 03/25/93 (19) | \$1,241,177.00 |
| 355011 | Jones Island #1 | ARCO Alaska Inc. | 07/12/93 | \$2,160,000.00 |
| | | ARCO Alaska Inc. (UTP) | 07/20/93 (20) | 1,910,175.00 |
| 375133 | Cascade Well #1 | BP Exploration (AK) Inc | 04/04/94 (21) | \$893,245.73 |
| 375061 | Yukon Gold #1 | BP Exploration (AK) Inc | 08/08/94 (22)(23) | \$2,394,546.77 |
| | | Union Oil Co. of Cal (H) | 08/23/94 (24) | 487,240.46 |

TOTAL EICs GRANTED TO-DATE: \$54,692,614.64

- (1) Hunt's EIC balance reduced through a commissioner's decision dated March 18, 1998. Hunt made a subsequent payment in April 1998.
- (2) Colville Delta wells were settled through the Colville Delta EIC settlement agreement dated 12/31/98.
- (3) Amerada Hess EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (4) Texaco's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/28/99.
- (5) Maxus' EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/26/99.
- (6) Rosewood's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/7/99.
- (7) Amerada Hess EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (8) Texaco's EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/28/99.
- (9) BP's EIC balance reduced through an EIC settlement agreement and subsequent payment on 12/31/98.
- (10) Union Texas' EIC balance reduced through an EIC settlement agreement and subsequent payment on 1/29/99.
- (11) ARCO and Amerada's EIC balances reduced through an EIC audit and subsequent payment in February 1997.
- (12) Conoco's EIC balance reduced through an EIC audit and subsequent payment in March 1997.
- (13) Conoco's EIC balance reduced through an EIC audit and subsequent payment in July 1997.
- (14) \$125,190.33 of EIC expired for Petrofina on March 31, 1996.
- (15) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (16) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (17) ARCO's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (18) ARCO's EIC balance increased through an EIC audit and subsequent payment in December 1997.
- (19) Union Texas (ARCO) EIC balance reduced through an EIC audit and subsequent payment on 8/18/98.
- (20) Union Texas (ARCO) EIC balance reduced through an EIC audit and subsequent payment on 8/18/98.
- (21) BP's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (22) BP's EIC balance reduced through an EIC audit and subsequent payment in December 1997.
- (23) BP's EIC balance reduced through an EIC audit and subsequent payment on 12/31/98.
- (24) Union's EIC balance reduced through an EIC audit and subsequent payment in July 1998.

Source: Alaska Department of Natural Resources, Division of Oil and Gas

