



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

DIVISION OF OIL & GAS

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January 27, 2021

The Honorable Peter Micciche  
President of the Senate  
Alaska State Capitol  
Juneau, AK 99801-1182

Chief Clerk Crys Jones  
House of Representatives  
Alaska State Capitol  
Juneau, AK 99801-1182

Dear Senator Peter Micciche and Chief Clerk Crys Jones:

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G) is pleased to provide notice of the 5-Year Program of Proposed Oil and Gas Lease Sales and Gas-Only Lease Sales (5-Year Program) to be held during the calendar period 2021 – 2025 and notice of leasing activities in 2020.

Alaska Statute (AS) 38.05.180(b) and AS 38.05.180(e) require DNR to make an annual report to the Alaska State Legislature (Legislature) regarding proposed leasing activity for the coming five-year period and the past year's leasing activities. The commissioner may, at any time, notify the Legislature of revisions to the program. This letter addresses and meets the statutory requirements referenced above.

**AS 38.05.180(b) 5-Year Program**

AS 38.05.180(b) provides "The commissioner shall annually prepare and, before February 1 of each calendar year notify the legislature of a five-year program of proposed oil and gas lease sales and proposed gas only lease sales, specifying as precisely as practicable the location of tracts to be offered for leasing during the calendar year of the notification and the following four calendar years. The commissioner may, at any time, notify the legislature of revisions, including additions, to the program. Notification to each legislator, by electronic message or other written means, constitutes notification to the legislature under this subsection."

***Proposed Oil and Gas Lease Sales***

In this 5-Year Program period, DO&G proposes to offer oil and gas leases under the areawide lease sale program. Areawide leasing allows regularly scheduled competitive oil and gas lease sales on available state lands within five specific sale areas with known hydrocarbon potential: the Alaska Peninsula, Beaufort Sea, Cook Inlet, North Slope, and North Slope Foothills. Offering oil and gas leases on a regular schedule allows the state to have a stable, predictable leasing program. In turn, companies can plan and develop their strategies and budgets years in advance of a lease sale. Additionally, the public is afforded a consistent process and timeline during

which to comment and provide new information on the proposed areawide lease sales. DO&G proposes to offer one oil and gas sale per areawide lease sale in each of the next five (5) years (Table 1). No gas-only lease sales are proposed.

Table 1. Schedule of proposed oil and gas lease sales for 2021-2025.

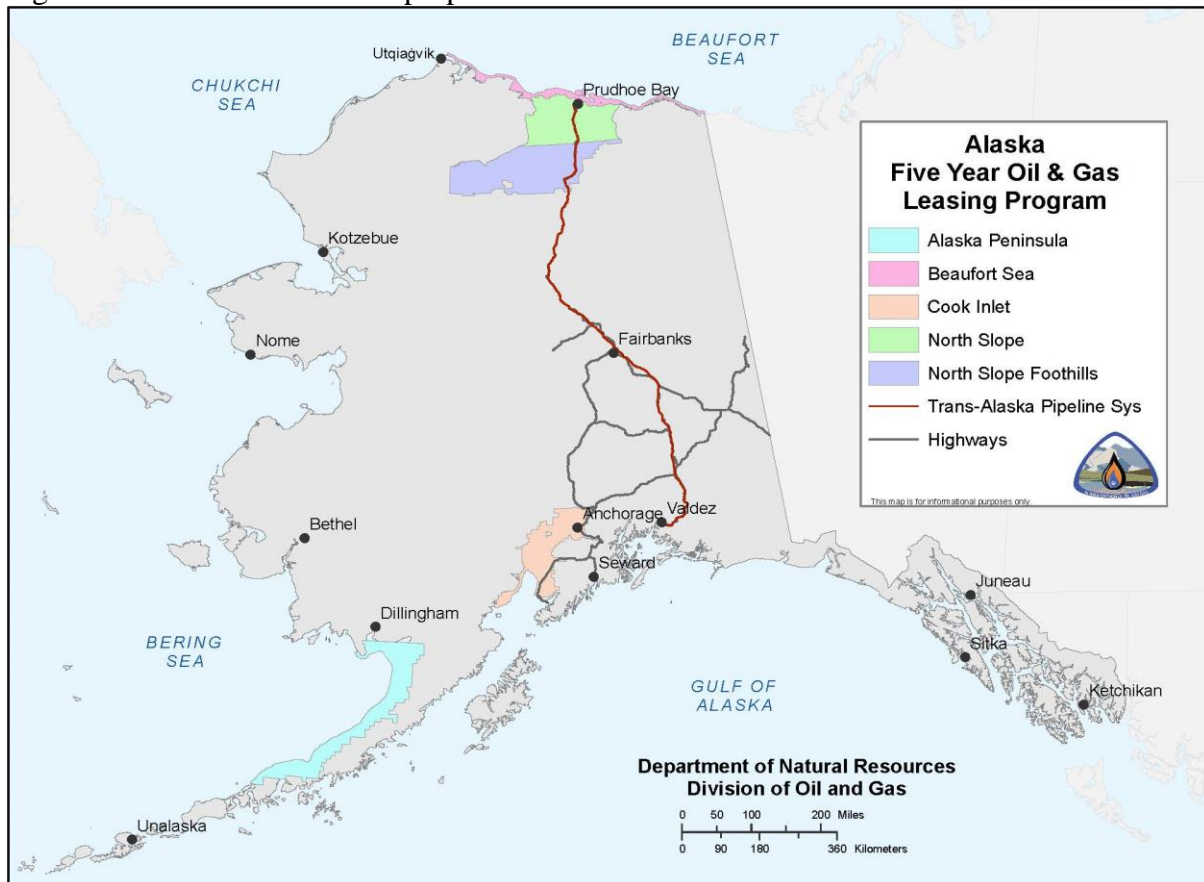
Areawide	Timing	5-Year Schedule				
Cook Inlet	Spring	2021	2022	2023	2024	2025
Alaska Peninsula	Spring	2021	2022	2023	2024	2025
Beaufort Sea	Fall	2021	2022	2023	2024	2025
North Slope	Fall	2021	2022	2023	2024	2025
North Slope Foothills	Fall	2021	2022	2023	2024	2025

**Location of Tracts to Be Offered**

Figure 1 depicts the location of the five areawide lease sales.

Detailed descriptions, tract maps, and findings for the five areawide lease sales are available on the DO&G website at <https://dog.dnr.alaska.gov/Services/BIFAndLeaseSale>.

Figure 1. Areawide lease sales proposed for 2021-2025.



**AS 38.05.180(e) Annual Report**

AS 38.05.180(e) provides “The commissioner shall annually prepare and notify the legislature of the availability of a report containing the following:

- “(1) the schedule of all lease sales held during the preceding calendar year, the bidding method or methods utilized, and an analysis of the results of the bidding;
- “(2) if determined, a description of the bidding methods to be used for all lease sales to be held during the current and next two succeeding calendar years;
- “(3) the reasons a particular bidding method has been selected.”

Two areawide lease sales were held in 2020, with various terms and conditions. DO&G issued public notice for three areawide sales with the sale held in January 2021. The schedule and analyses are found in the following sections. The competitive bidding methods for proposed sales in the 5-Year Program have not been determined. However, we anticipate continuing to offer lands through sealed bid online auctions in 2021.

Areawide lease sale documents, maps, and bidding results for the Spring 2020 and Winter 2021 areawide lease sales are available on the DO&G website at [dog.dnr.alaska.gov/Services/BIFAndLeaseSale](http://dog.dnr.alaska.gov/Services/BIFAndLeaseSale).

***Schedule of Lease Sales Held During the Preceding Calendar Year***

DO&G held each of the five areawide lease sales proposed for 2019 under the preceding year’s 5-Year Program. All areawide lease sales were offered with a competitive sealed bid procedure per AS 38.05.180(f)(3)(A). The bidding method was cash bonus with fixed royalty rate per AS 38.05.180(f)(1). The areawide lease sales, dates, and terms and conditions are presented in Table 2.

Table 2. Schedule of oil and gas lease sales held in Spring 2020 and Winter 2021.

Areawide Lease Sale	Sale Date <sup>a</sup>	Minimum Bid (Per Acre)	Royalty Rate (Fixed)	Primary Lease Term (Years)	Annual Rental (Per Acre)
<b>Alaska Peninsula</b>	June 17, 2020	\$5.00	12.5%	10	\$1.00 - \$3.00 <sup>b</sup>
<b>Cook Inlet</b>	June 17, 2020	\$15.00	12.5%	8	\$5.00/\$10.00 <sup>c</sup>
<b>Beaufort Sea</b>					
BSA 2021W Tracts	January 13, 2021	\$25.00	16.66667%	10	\$10.00 <sup>d</sup>
<b>North Slope</b>					
State/ASRC Tracts	January 13, 2021	\$25.00	16.66667%	10	\$10.00 <sup>d</sup>
North Sub-Region Tracts	January 13, 2021	\$25.00	16.66667%	10	\$10.00 <sup>d</sup>
South Sub-Region Tracts	January 13, 2021	\$25.00	12.5%	10	\$10.00 <sup>d</sup>
<b>North Slope Foothills</b>	January 13, 2021	\$10.00	12.5%	10	\$1.00 - \$3.00 <sup>b</sup>

<sup>a</sup> Date of sealed bid opening.

<sup>b</sup> Per AS 38.05.180(n)(1). Year 1: \$1.00; Year 2: \$1.50; Year 3: \$2.00; Year 4: \$2.50; Years 5 and beyond: \$3.00.

<sup>c</sup> Per AS 38.05.180(w). Years 1 – 4: \$5.00; 5 – 8: \$10.00.

<sup>d</sup> Per AS 38.05.180(w). Years 1 – 10: \$10.00.

## ***Bidding Results***

The areawide lease sales results are presented in Table 3.

Table 3. Results for oil and gas lease sales held in Spring 2020 and Winter 2021.

Areawide Lease Sale	Bids Received	Lease Tracts Sold	Lease Acres Sold	Bonus Bid
<b>Alaska Peninsula</b>	0	0	0	0
<b>Cook Inlet</b>	3	3	7,131	\$178,492
<b>Beaufort Sea<sup>a</sup></b>				
BSA 2021W Tracts	3	3	7,568	\$206,379
<b>North Slope<sup>a</sup></b>				
State/ASRC Tracts	0	0	0	0
North Sub-Region Tracts	43	43	84,320	\$2,692,957
South Sub-Region Tracts	69	69	99,360	\$4,148,957
<b>North Slope Foothills</b>	0	0	0	0
<b>Total</b>	118	118	192,379	\$7,226,785

<sup>a</sup> Lease acres sold and bonus bid are preliminary figures and may change after leases are issued.

### ***Analysis of Bidding Results – Southern Alaska Areawide Lease Sales***

The June 17, 2020 Southern Alaska lease sales included the Cook Inlet Areawide and Alaska Peninsula Areawide. These were the first Areawide lease sales to offer tracts by online sealed bid.

A total of three (3) bids were received from Hilcorp Alaska, LLC (Hilcorp) in the Cook Inlet Areawide lease sale for \$178,492 in bonus bids. Hilcorp has participated in eight (8) of the last nine (9) annual Cook Inlet Areawide lease sales. Overall sale rankings place the 2020 Cook Inlet Areawide lease sale near the bottom of the historical trend.

There were no bids received for the Alaska Peninsula Areawide lease sale in June 2020. The Alaska Peninsula Areawide has received bids in three lease sales since it was first offered in 2005; with the last three (3) bids received in 2014. There are no oil and gas leases issued in the Alaska Peninsula Areawide.

The rapid and significant drop in oil prices starting in late 2014 combined with a relatively stable gas demand in southcentral Alaska are thought to be major factors contributing to ongoing low bidder activity in the Cook Inlet Areawide lease sales.

***Analysis of Bidding Results – Northern Alaska Areawide Lease Sales***

The January 13, 2021 Northern Alaska lease sales included the Beaufort Sea Areawide, North Slope Areawide, and North Slope Foothills Areawide.

A total of 112 valid bids were submitted on 112 tracts in the North Slope Areawide lease sale. Winning bonus bids totaled \$6.8 million. The lease sale saw bids from exploration interests that already hold significant lease acreage in Alaska and appear to represent efforts to consolidate opportunities near existing leases into larger contiguous areas.

Many of the tracts receiving bids have been leased before, with well or seismic survey information linked to them. New bidders will be able to leverage available data to refine exploration targets.

The increase in number of North Slope tracts receiving bids over the Fall 2019 lease sale is encouraging for the industry's future in Alaska, despite economic conditions from COVID-19 and low oil prices seen over the past year.

A total of 3 valid bids were submitted on 3 tracts adjacent to the Prudhoe Bay Unit in the Beaufort Sea Areawide lease sale. Winning bonus bids totaled \$206,379. Hilcorp North Slope, LLC bid for the first time as the Prudhoe Bay Unit operator.

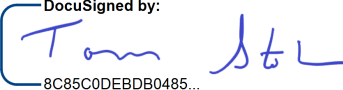
There were no bids received for the North Slope Foothills Areawide lease sale. The North Slope Foothills has received bids in two sales since it was first offered in 2010; with the last two bids received in 2014. There are no oil and gas leases issued in the North Slope Foothills Areawide.

You are invited to review additional oil and gas lease sale information on the DO&G website at [dog.dnr.alaska.gov](http://dog.dnr.alaska.gov). DO&G publishes lease sale documents and maps, best interest findings authorizing disposal of state land for oil and gas leasing and exploration, historic state lease sale records, and lists of qualified bidders.

Please contact Laura Ogan Boomershine, Legislative Liaison, with questions or for more information. She may be reached at [laura.boomershine@alaska.gov](mailto:laura.boomershine@alaska.gov) or (907)269-8431.

Thank you for your continued interest in the oil and gas leasing program.

Sincerely,  
DocuSigned by:



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Tom Stokes  
Director