

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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## SALE ANNOUNCEMENT

### ALASKA PENINSULA AREAWIDE 2008 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.945(a)(4), that it will offer lands for competitive oil and gas leasing in Alaska Peninsula Areawide 2008 (AP 2008). AP 2008 will be held in Anchorage beginning at 9:00 a.m., on February 27, 2008, in Suite 240 of the Atwood Building, 550 W. 7<sup>th</sup> Ave, Anchorage.

The Alaska Peninsula Areawide sale area encompasses a gross area of approximately 5.8 million acres that are divided into 1,047 tracts ranging in size from 1,280 to 5,760 acres. The acreage consists of onshore and offshore acreage that stretches from the Nushagak Peninsula in the north, down the north side of the Alaska Peninsula to just north of Cold Bay. Portions of these tracts are located within the Bristol Bay Borough, Lake and Peninsula Borough and Aleutians East Borough and activities resulting from the sale may affect the communities of Dillingham, Egegik, King Salmon, Naknek, South Naknek, Pilot Point, Port Heiden, Nelson Lagoon and Ugashik.

DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. Only State-owned lands that were available on November 14, 2007 may be leased in AP 2008. Lands that are conveyed to the state or that become available after that date will be offered in a future Alaska Peninsula Areawide sale.

The tract map does not show detailed land ownership, land under lease or land pending lease. **Bidders are cautioned to verify state title or land available for leasing within the tracts prior to bidding.**

The exact amount of the net leaseable acreage in each tract will not be determined until a bid is received for the tract. Following the sale, DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids to determine what lands are available for lease. This process may take several months to complete. Acreage not owned by the state, already subject to an oil and gas lease or pending lease, or clouded by title claims will be excluded from the leased area.

#### **Tract Deletions**

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

#### **Best Interest Finding and ACMP Consistency Determination**

Alaska Peninsula Areawide 2008 Oil and Gas Lease Sale is an exempt sale held under Alaska Statutes (AS) 38.05.180(d)(1) and 38.05.035(e)(6)(F). Under these provisions, the commissioner of the Alaska Department of Natural Resources (ADNR) may annually offer oil and gas acreage that has been subject to a best interest finding issued within the previous 10 years, unless the commissioner determines that substantial new information has become available that justifies a supplement to the finding.

In support of the sale, the Director of the Division of Oil and Gas (DO&G) issued a written final finding and decision under AS 38.05.035(e) and (g) on July 25, 2005. The decision sets forth the facts, policies, and applicable laws upon which he based his determination that oil and gas leasing in the Alaska Peninsula area will best serve the interests of the state. In addition, a final coastal zone consistency determination was made that oil and gas lease sales were consistent with the Aleutians East, Bristol Bay and Lake and Peninsula Boroughs Coastal Management Programs and with the Alaska Coastal Management Program (ACMP).

#### **Decision of Substantial New Information and Supplement to Best Interest Finding**

On June 20, 2007, DO&G issued a Call for New Information for the Alaska Peninsula Areawide 2008 Oil and Gas Lease Sale. DO&G requested any new information subsequent to publication of the 2005 finding. Based upon the information received as a result of the June 20, 2007 Call for New Information, ADNDR has issued a Decision of Substantial New Information, which resulted in a supplement to the most recent best interest finding. Both are available on DO&G's website and at the locations listed under Sale Information below. See the decision at <http://www.dog.dnr.state.ak.us/oil/products/publications/akpeninsula/>.

#### **Mitigation Measures**

AS 38.05.035(e) and the departmental delegation of authority give the Director of DO&G the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that the disposal best serves the interests of the state. To meet this requirement, the Director has adopted environmental and social mitigation measures that will be enforced throughout the duration of the lease. These mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts of lease related activities. Enforcement will be imposed through approval of plans of operations, exploration and development, and other permits. DO&G will review these plans for consistency with the ACMP under 6 AAC 50. The lessee must obtain all the necessary permits and approvals otherwise required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process and the ACMP review process. Some proposed lease activities may also be subject to local land use regulations.

#### **Bidding Method**

For all tracts – cash bonus bidding with a minimum bid of **five dollars (\$5) per acre**. **Bids for less than the minimum bid will be rejected.**

**Note: Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required in the “Instructions to Bidders”, unless any omission is determined by the commissioner or his designee to be immaterial or due to excusable inadvertence, and the omission is corrected within one week following receipt of a notice of deficiency.**

#### **Primary Term of Leases**

All leases will have an initial primary term of **ten (10) years**.

#### **Royalty Rates**

All leases will have a fixed royalty rate of **twelve and one-half percent (12 1/2%)**.

#### **Lease Forms**

Leases on all tracts will be executed on Form DOG 200604.

#### **Rental**

Annual rental will be \$1.00 per acre for the first year, \$1.50 per acre for the second year, \$2.00 per acre for the third year, \$2.50 per acre for the fourth year, and \$3.00 per acre for the fifth and following years.

### **Bonding**

Before beginning lease operations, an oil and gas lease bond of a minimum of \$10,000 per operation is required under 11 AAC 83.160. In the alternative, a statewide oil and gas lease bond of a minimum of \$500,000 for operations conducted on more than one lease may be filed. These bonding provisions do not affect the commissioner's authority to require additional unusual-risk bonds as may be necessary. In addition, the Alaska Oil and Gas Conservation Commission (AOGCC) requires a bond of at least \$100,000 for a single well or a bond of at least \$200,000 to cover wells statewide before drilling operations will be permitted by AOGCC (20 AAC 25.025). Additional bonding may be required under 11 AAC 82.465, 11 AAC 82.600, 11 AAC 83.390 and 11 AAC 96.060.

### **Sale Information**

Copies of the final finding are available for public review at the following locations: Bristol Bay Middle/High School, King Cove School, Cold Bay School, Sand Point School, False Pass School, Nelson Lagoon School, Akutan School and Z.J. Loussac Public Library in Anchorage; Bristol Bay Borough, Lake and Peninsula Borough, Aleutians East Borough and DO&G offices. The regional tract map will also be available at these locations. Complete details regarding AP 2008, including the following documents, are on the DO&G's webpage at <http://www.dog.dnr.state.ak.us/>

Sale Announcement  
Mitigation Measures (rev. November 2007)  
Instructions to Bidders with estimated tract acreage figures (Attachment A)  
Bid Form  
Final Finding (July 2005)  
Decision of Substantial New Information (November 2007)  
Supplement to Best Interest Finding (November 2007)  
Regional Tract Map (November 2007)

Paper copies of these documents are available by contacting Tim Jones at (907) 269-8814; email [timothy.jones@alaska.gov](mailto:timothy.jones@alaska.gov) or at DO&G, 550 West 7<sup>th</sup> Avenue, Suite 800, Anchorage, Alaska 99501-3560.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication will be made available in alternative communication formats upon request. Please contact Tim Jones at (907) 269-8814, to make any necessary arrangements.



Kevin R. Banks  
Acting Director

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