

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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## SALE ANNOUNCEMENT ALASKA PENINSULA AREAWIDE 2011 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under Alaska Statute (AS) 38.05.945(a)(4) that it will offer lands for competitive oil and gas leasing in the Alaska Peninsula Areawide 2011 (AP 2011) lease sale.

Bid opening will begin at 9:00 a.m. on June 22, 2011, at the Dena'ina Civic and Convention Center, located at 600 W. 7<sup>th</sup> Avenue, Anchorage.

The Alaska Peninsula Areawide lease sale area encompasses approximately 5.8 million acres divided into 1,047 tracts ranging in size from 1,280 to 5,760 acres. The acreage consists of state-owned uplands and tide and submerged lands stretching 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.

The 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 before April 1, 2011 may be leased in the AP 2011 lease sale. Lands that are conveyed to the state or that become available for leasing on or after that date may be offered in a future Alaska Peninsula Areawide lease sale.

The tract map does not show detailed land ownership or land under 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 leasable acreage in each tract will not be determined unless a bid is received for the tract. Following the sale, the 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. Estimated acreage for each tract in the AP 2011 lease sale is available in Attachment A of the Instructions Bidders. Acreage not owned by the state, already subject to an oil and gas lease, or clouded by title claims will be excluded from the leased area.

### **Tract Deletions and Deferrals**

The ADNR is offering all unleased acreage in all Alaska Peninsula tracts for the 2011 lease sale.

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

*“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”*

### **Best Interest Finding and Alaska Coastal Management Program (ACMP) Consistency Determination**

The AP 2011 lease sale is being held under AS 38.05.180(d)(1) and 38.05.035(e)(6)(F). Under these provisions, the commissioner of the 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 justified a supplement to the finding.

The ADNR DO&G issued a written 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 and regulations upon which the director based his determination that oil and gas lease sales in the Alaska Peninsula area will best serve the interests of the state. The finding was supplemented on November 21, 2007, February 4, 2010, and February 8, 2011. In addition, a final coastal determination was made on February 15, 2005, that oil and gas lease sales, as conditioned, were consistent with the standards of the ACMP and the enforceable policies of the Aleutians East, Bristol Bay, Bristol Bay Coastal Resource Service Area, and the Lake and Peninsula boroughs coastal management programs.

### **Decision of Substantial New Information for Alaska Peninsula Areawide 2011 Lease Sale**

On November 18, 2010, the DO&G issued a Call for New Information for the AP 2011 lease sale. The DO&G requested any new information subsequent to publication of the 2005 finding. Based upon the information received in response to the 2010 Call for New Information, the DO&G issued a Decision of Substantial New Information (Decision) and a Supplement to the 2005 written finding (Supplement) on February 8, 2011.

In the Decision and Supplement, information was presented about the events of the Deepwater Horizon incident in the Gulf of Mexico in 2010, the findings of the report of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling issued in 2011, and the findings of the reports related to the Alaska Risk Assessment Project, the North Slope Spills Analysis, and Oversight Report, dated 2010. In the Supplement, the DO&G issued a lessee advisory that informs the public that the state is reviewing and evaluating this information, and new or modified mitigation measures, lessee advisories, or other statutory or regulatory requirements may be forthcoming. The February 8, 2011 Decision and Supplement are available on the DO&G website.

### **Mitigation Measures**

AS 38.05.035(e) and the departmental delegation of authority give the director of the DO&G the authority to impose conditions or limitations in addition to those required by law to ensure 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 in effect 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. The DO&G will condition plans of operation, exploration, and other permits based on these mitigation measures. The DO&G will review the plans for consistency with the ACMP under Alaska Administrative Codes (AAC) 11 AAC 110, 112, and 114. The lessee must obtain all the necessary federal, state, and local permits and approvals required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process.

### **Bidding Method**

The bidding method for all tracts will be cash bonus bidding with a minimum bid of **five dollars (\$5.00) per acre. Bids for less than the minimum bid will be rejected.**

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

### **Primary Term of Leases**

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

### **Royalty Rates**

All leases will have a fixed royalty rate of twelve and one-half percent (12.5%).

### **Lease Forms**

Leases will be executed on Competitive Oil and Gas Lease Form # DOG 200604 (rev. 3/2009).

A sample lease form is available on the DO&G website at

[www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample\\_lease.pdf](http://www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample_lease.pdf)

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

### **Sale Information**

Complete details regarding the Alaska Peninsula Areawide 2011 lease sale, including the following documents, are on the DO&G website at [www.dog.dnr.alaska.gov/oil](http://www.dog.dnr.alaska.gov/oil)

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (July 25, 2005) and 2010 Supplement (February 4, 2010)
- Decision of Substantial New Information and 2011 Supplement (February 8, 2011)
- Regional Tract Map (April 1, 2011)

Paper copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$25. To order any of these documents, please contact:

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Copies of these documents have been provided to 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, Z.J. Loussac Public Library in Anchorage; Bristol Bay Borough offices, Lake and Peninsula Borough offices, and Aleutians East Borough offices.

The State of Alaska, ADNR, Division of Oil and Gas complies with Title II of the Americans with Disabilities Act of 1990. This publication will be made available in alternative communication format upon request. Please contact Holly Poydack at (907) 269-8757 or [holly.poydack@alaska.gov](mailto:holly.poydack@alaska.gov) to make any necessary arrangements.



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