

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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SALE ANNOUNCEMENT ALASKA PENINSULA AREAWIDE 2012 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 2012(AP 2012) lease sale.

Bid opening will begin at 9:00 a.m. on May 16, 2012, at the Dena'ina Civic and Convention Center, located at 600 W. 7th 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, the Lake and Peninsula Borough, and the 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 will be available before March 1, 2012 may be leased in the AP 2012 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 2012 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 2012 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.

“To responsibly develop Alaska’s resources by making them available for maximum use and benefit consistent with the public interest.”

Best Interest Finding

The AP 2012 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 upon terms appearing most advantageous to the state.

In support of a Alaska Peninsula Areawide lease sale, the director of the DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) on July 25, 2005. The decision set forth the facts, policies, and applicable laws upon which a determination was made that oil and gas lease sales in the Alaska Peninsula area will best serve the interests of the state. The Alaska Peninsula Areawide final best interest finding is available on the DO&G website at <http://dog.dnr.alaska.gov/index.htm>, at the DO&G office in Anchorage, and at the locations listed under Sale Information below.

Decision of Substantial New Information for Alaska Peninsula Areawide 2012 Lease Sale

On October 12, 2011, the DO&G issued a Call for New Information for the AP 2012 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 Call for New Information, the DO&G issued a Decision of No Substantial New Information on January 6, 2012.

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 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 <http://dog.dnr.alaska.gov/Leasing/LeaseSales.htm>.

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 2012 lease sale, including the following documents, are on the DO&G website at <http://dog.dnr.alaska.gov/index.htm>.

- Sale Announcement
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Lease Form # DOG 200604 (rev. 3/2009)
- Mitigation Measures
- Bid Form
- Final Finding (July 25, 2005)
- Decisions of Substantial New Information (November 21, 2007; February 4, 2010; and February 8, 2011)
- Decision of No Substantial New Information (January 6, 2012)
- Regional Tract Map (March 1, 2012)

Paper copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$50. 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 Allen R. Eddy Jr. at (907) 375-8259 or allen.eddy@alaska.gov to make any necessary arrangements.

A handwritten signature in black ink, appearing to read 'W.C. Barron', with a stylized flourish at the end.

W.C. Barron
Director