

# STATE OF ALASKA

*Tony Knowles, Governor*

**Department of Natural Resources**

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ANCHORAGE, ALASKA 99501

**Division of Oil and Gas**

August 15, 2000

Phone: 269-8804

## **SALE ANNOUNCEMENT**

### **STATE OF ALASKA**

#### **BEAUFORT SEA AREAWIDE 2000 COMPETITIVE OIL AND GAS LEASE SALE**

The Department of Natural Resources (DNR), 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 Beaufort Sea Areawide 2000 Oil and Gas Lease Sale. Beaufort Sea Areawide 2000 is scheduled to be held at 8:30 a.m., on November 15, 2000, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

The sale area covers approximately two million acres of state-owned tide and submerged lands in the Beaufort Sea and is located entirely within the North Slope Borough. The sale area has been divided into 516 tracts ranging in gross area from 640 to 5,760 acres. For the purposes of areawide oil and gas leasing, the Beaufort Sea sale area is defined as those lands bounded between the Canadian Border and Point Barrow. The sale area is adjacent to both the NPRA and ANWR. Activities resulting from this sale may affect the native villages of Barrow, Nuiqsut, and Kaktovik, and the community of Deadhorse.

DO&G has prepared an official tract map that displays the location of all tracts within the sale area. Only those lands within the sale area not covered by existing leases as of July 10th, 2000 will be considered available for leasing in Beaufort Sea Areawide 2000. Lands released from leased status after that date would then be offered in Beaufort Sea Areawide 2001 scheduled for October 2001.

The exact amount of the net leaseable acreage in each tract will not be determined until after the bids are received. At that time DO&G will complete a comprehensive evaluation of the lands within the tracts that received bids to determine which lands are available for lease. Acreage not owned by the state, already subject to an oil and gas lease, or clouded by title claims will be excluded from the tract area.

### **State/Federal Boundaries**

The location of Alaska's Territorial Sea Boundary and the seaward boundaries of NPRA and ANWR have been the subject of a dispute between the United States of America and the State of Alaska pending before the U. S. Supreme Court, (U. S. v Alaska, Supreme Court Original no. 84). At issue was the ownership of a sizable amount of tide and submerged lands along these borders. In June of this year the U. S. Supreme Court issued its final decree, thus settling major points of this dispute. The boundary depicted on the state's tract maps for Beaufort Sea Areawide 2000 reflect the final boundaries as agreed upon by the parties involved in this litigation. The sole exception is the boundary between ANWR and Alaska's tide and submerged lands and uplands. The state of Alaska and the U. S. Fish and Wildlife Service have been unable to come to agreement regarding some of the minor differences in the exact location regarding the boundaries of this withdrawal. The boundaries shown on the state's tract maps have been defined for purposes of oil and gas leasing and represents only Alaska's opinion as to the current location of the boundary of ANWR.

### **State/ASRC Lands**

There are no lands that are jointly owned by the State of Alaska and ASRC currently available within this sale area.

### **Tract Deletions and Deferrals**

DNR has deferred leasing all tracts from Pt. Barrow to Tangent Pt. (Tracts 555, 557 through 575) and from Barter Island to the Canadian border (Tracts 1 through 39). Deferral means that these tracts will not be offered for lease in this sale, but may be included in future lease sales. DNR will annually review the available information for these tracts to determine whether to offer these tracts in the future.

DNR has deleted Tracts 79 and 80 from the 2000 sale. The former lessee is appealing the termination of lease ADL 372256 on these two tracts. The primary term of ADL 372256 expired on November 30, 1998. Before the expiration date the former lessee applied to DNR to expand the Pt. Thompson Unit to include this lease, thereby extending its term. The director, DO&G, denied the application. The former lessee has appealed that decision to the commissioner of DNR and thereafter the matter could be appealed to the Alaska Superior Court. The public record regarding the appeal is available for inspection at DO&G's offices.

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

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

In support of this lease sale, the director of DO&G has prepared a written final finding and decision under AS 38.05.035(e) and (g), which sets forth the facts, policies, and applicable laws upon which he has based his determination that this sale will best serve the interests of the state. In addition, a final coastal zone consistency determination has been made that this sale is consistent with the Alaska, and North Slope Borough's Coastal Management Programs (ACMP) under AS 46.40.

This finding was issued on July 15, 1999 with the sale scheduled for October of that year. On September 21, 1999, DNR issued an announcement postponing the sale pending the BP/ACRO merger. Although the decision that the sale was in the best interest of the state was made when the final finding was issued and no further action was required, DO&G issued a call for New Information on March 8, 2000, because of the amount of time between July 1999 and November 2000. Based on the information received, concurrent with this sale announcement, DO&G is issuing a Decision to Supplement the best interest finding with a *supplement to Chapter 5, Reasonably Foreseeable Effects*. This decision also contains the division's responses to each comment received.

### **Appeal Procedures**

This Decision to Supplement is a final administrative decision of the department. A person who is aggrieved by the decision to supplement the best interest finding or the division's responses to comments received may request the commissioner to reconsider these actions under AS 35.05.035(i) and (j). To be eligible, an appellant must have meaningfully participated in the finding process by either submitting written comments during the prescribed comment periods, or by presenting oral testimony at a public hearing regarding the sale. A request for reconsideration must be received by the Commissioner, Department of Natural Resources, in Suite 1410 of the Atwood Building, located at 550 W. 7<sup>th</sup> Ave., in Anchorage, Alaska 99501, or received by fax at (907) 269-8918 by **5:00 p.m. (ADT), September 5, 2000**. If the commissioner fails to act on the request for reconsideration by **September 14, 2000**, the request is considered denied.

A denial of a request for reconsideration is the final administrative decision for purposes of appeal to Superior Court. A person may appeal the Decision to Supplement to the Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of the finding by the commissioner. An appellant must initiate an appeal to the Superior Court within 30 days from the date of denial of that reconsideration or from the date of distribution of the denial decision, in accordance with the rules of court and to the extent permitted by applicable law.

### **Mitigation Measures**

AS 38.05.035(e) and the departmental delegation of authority give the director, 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 this plan 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.

In addition, some proposed lease activities may be subject to the local land use regulations.

## **Sale Terms**

### **Bidding Method:**

The bidding method for all tracts in Beaufort Sea Areawide 2000 will be cash bonus bidding with a minimum bid of **ten (\$10) per acre** on all tracts.

### **Royalty Rate/Length of Lease:**

Leases issued on **Tracts 78 through 467** will have a fixed royalty rate of **sixteen and two thirds percent (16.6666%)** and will have a lease term of **seven (7) years**.

Leases issued on **Tracts 40 through 77, Tracts 468 through 554 and Tract 556** will have a fixed royalty rate of **twelve and one half percent (12.5%)** and will have a lease term of **ten (10) years**.

### **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.

### **Sale Information**

Copies of the final finding are available at the following locations: Nuiqsut Public Library, North Slope Borough Library Media Center, North Slope Borough offices, Tuzzy Consortium Library in Barrow, City of Barrow Municipal Offices, Kaveolook School Library in Kaktovik and Loussac Public Library in Anchorage.

Complete details regarding Beaufort Sea Areawide 2000 including the following documents are on the DO&G's Webpage at: <http://www.dog.dnr.state.ak.us/oil>:

- Sale Announcement w/Mitigation Measures,
- Instructions to Bidders and Attachment A (Estimated acreage figures) and Bid form,
- Final Finding and Supplement
- Tract maps

Paper copies of these documents as well as other information, are available by phoning during regular office hours or writing, DO&G 550 West 7<sup>th</sup> Avenue, Suite 800, Anchorage, Alaska 99501, Attn: Suzanne Gaguzis, (907) 269-8803.

Copies of the official Tract Map for Beaufort Sea Areawide 2000 may be obtained in the following manners:

**For a free printed version:**

Contact: Suzanne Gaguzis  
Division of Oil and Gas  
550 West 7<sup>th</sup> Avenue, Suite 800; Anchorage, AK. 99501,  
Phone: 269-8803, email at [msg@dnr.state.ak.us](mailto:msg@dnr.state.ak.us).

**For a CD-ROM:**

Contact: State of Alaska  
Support Services  
Land Record Information Section  
550 West 7<sup>th</sup> Avenue, Suite 706 Anchorage, AK 99501  
Fax: 907-269-8920, email at [gispubac@dnr.state.ak.us](mailto:gispubac@dnr.state.ak.us),  
Phone: Carrie Marvel at: 269-8833

The CD also contains a copy of the Final Finding, and the Instructions to Bidders which includes "Attachment A" (estimated acreage for each tract). The cost for each CD version of the tract Map is \$50.00, plus \$3.50 for postage. Please make checks payable to: Department of Revenue, State of Alaska. DO&G will include a free copy of Adobe Reader v3.01 for PCs and MACs on the CD to assist in the viewing of the PDF (plot file) format.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act 1990. This Publication will be made available in alternative communication formats upon request. Please contact Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.



Kenneth A. Boyd,  
Director  
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