

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

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July 25, 2001

Phone: 269-8804

SALE ANNOUNCEMENT

STATE OF ALASKA

BEAUFORT SEA AREAWIDE 2001 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 2001 Oil and Gas Lease Sale. Beaufort Sea Areawide 2001 will be held at 8:30 a.m., on October 24, 2001, in the Wilda Marston Theater, Loussac Public Library, 3600 Denali Street, in Anchorage.

The Beaufort Sea Areawide Sale encompasses a gross area of approximately two million acres, divided into 573 tracts ranging in size from 640 to 5,760 acres. These tracts are located within the North Slope Borough and consist of state-owned tide and submerged lands in the Beaufort Sea between the Canadian Border and Point Barrow. The sale area is adjacent to both the National Petroleum Reserve - Alaska (NPRA) and Arctic National Wildlife Refuge (ANWR). The southern fringe of the sale area includes some state-owned uplands lying between 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 a regional tract map that displays the location of all tracts within the sale area. Only those lands not covered by existing leases as of August 1, 2001 will be considered available for leasing in Beaufort Sea Areawide 2001. Leased acreage becoming available after that date would then be offered in Beaufort Sea Areawide 2002, scheduled for October 2002.

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 leased area.

Tract Deletions and Deferrals

DNR has deferred leasing all tracts from Pt. Barrow to Tangent Pt. (Tracts 555, 557 through 573) 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 079, 080, 093 through 098, 102 through 109, 113 through 115, 117 through 122, 124 through 131, 147, 150, and 320 from the 2001 sale because they are the subject of unit applications.

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

Beaufort Sea Areawide 2001 is an exempt sale held under Alaska Statute(s) 38.05.180(d)(1), and 38.05.035(e)(6)(F). Under these provisions the commissioner may annually offer oil and gas leases of acreage that have 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 Beaufort Sea Areawide Sale 1999, the director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) on July 15, 1999. This finding 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 was made that oil and gas sales are consistent with the Alaska, and North Slope Borough's Coastal Management Programs (ACMP). On August 15, 2000, DO&G issued a Decision to Supplement that best interest finding with a *Supplement to Chapter 5, Reasonably Foreseeable Effects*.

On February 7, 2001 DO&G issued a Call for Comments requesting new information regarding the proposal to re-offer available Beaufort Sea acreage in the year 2001. At that time the final finding for the 1999 Beaufort Sea areawide sale and the final coastal zone management consistency determination were made available for public review. DO&G requested new information subsequent to publication of the 1999 final finding. Based on the information received, concurrent with this sale announcement DO&G is issuing a Decision of No New Information. That decision also contains the division's responses to each comment received.

Appeal Procedures

This Decision of No New Information is a final administrative decision of the department. A person who is aggrieved by the decision may request the commissioner to reconsider this action 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. 7th Ave., in Anchorage, Alaska 99501, or

received by fax at (907) 269-8918 by **5:00 p.m. (ADT), August 14, 2001**. If the commissioner fails to act on the request for reconsideration by **August 24, 2001**, 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 of No New Information 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 local land use regulations.

Sale Terms

Bidding Method:

The bidding method for all tracts in Beaufort Sea Areawide 2001 will be cash bonus bidding with a minimum bid of **ten dollars (\$10) per acre**.

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.

Royalty Rate/Length of Lease:

Leases issued on **Tracts 78 through 467** will have a fixed royalty rate of **sixteen and two-thirds percent (16.66667%)** 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**.

Lease Forms:

Leases will be executed on Form No. DO&G 9609 (COMPETITIVE OIL AND GAS LEASE) revised in August 2000.

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

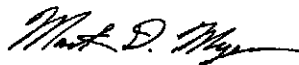
Copies of the final finding, supplement, and tract map are available at the following locations: Nuiqsut Public Library, North Slope Borough Library Media Center, North Slope Borough Offices, Tuzzy Consortium Library in Barrow, City of Barrow Municipal Offices, Kaveolook School Library in Kaktovik and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

Complete details regarding Beaufort Sea Areawide 2001, 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 with Attachment A (Estimated acreage figures) and Bid form
- Final Finding and Supplement
- Decision of No New Information
- Tract maps

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

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 Suzanne Gaguzis at (907) 269-8803 to make any necessary arrangements.



Mark D. Myers,
Director