

STATE OF ALASKA

Tony Knowles, Governor

Department of Natural Resources

550 W. 7th Ave., SUITE 800
ANCHORAGE, ALASKA 99501

Division of Oil and Gas

January 31, 2002

Phone: 269-8804

SALE ANNOUNCEMENT

COOK INLET AREAWIDE 2002 COMPETITIVE OIL AND GAS LEASE SALE

The Department of Natural Resources, 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 Cook Inlet Areawide 2002. The lease sale is scheduled to be held at 8:30 a.m. on May 1, 2002, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

The sale area covers approximately 4 million acres, and is located entirely within the Kenai Peninsula Borough, the Matanuska-Susitna Borough and the Municipality of Anchorage. The sale area is divided into 815 tracts ranging in gross area from 640 to 5,760 acres. For the purposes of areawide oil and gas leasing, the Cook Inlet sale area is defined as those lands bounded between the cities of Houston and Homer, in the North and South, respectively, and the Chugach and Kenai Mountains in the East and the Aleutian Range in the West.

Activities resulting from this sale may affect the communities of Anchorage, Kenai, Palmer, Wasilla, Houston, Hope, Nikiski, Soldotna, Sterling, Ninilchick, Kasilof, Homer, Clam Gulch, Nikolaevsk and Anchor Point, as well as the villages of Knik, Tyonek and Salamatof.

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 January 3, 2002 will be considered available for leasing in Cook Inlet Areawide 2002.** Lands that become available for lease after that date will then be offered in Cook Inlet Areawide 2003, scheduled for May 2003. **Bidders are cautioned to verify state title to acreage within these townships/tracts prior to bidding.**

The exact amount of the net leaseable acreage in any tract will not be determined unless a bid for that tract is 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.

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

Tract Deletions and Deferrals

The following tracts have been identified by the National Marine Fisheries Service (NMFS) as important habitat for the Cook Inlet population of beluga whales. Alaska Superior Court Judge Sigurd Murphy has stayed leasing on these tracts; they will not be included in Cook Inlet Areawide 2002.

Chuitna River: 494, 497, 498.

Beluga River: 485, 486, 493, 544, 547-552, 559.

Ivan River: 541, 542.

Susitna River: 536-540, 543, 593, 594, 598.

Little Susitna River: 529, 532-535, 585, 586, 590.

Knik Arm: 575-577, 579, 581, 582, 616-618, 620-623, 627, 655-658, 662.

Anchorage: 522, 524-528, 530, 531.

Chickaloon River: 322-327, 329, 331, 332.

Turnagain Arm: 320, 321, 328, 330, 333, 334, 391-409, 462, 464-475.

Kenai River: 126, 127, 129-132, 161, 162.

Drift River: 177.

Big River: 175, 218.

Kustatan River: 211, 257.

McArthur River: 301, 302, 384.

Middle River: 373, 376, 377.

These tracts will be included in future Cook Inlet Areawide Lease Sales only upon a supplemental finding by this department that there is a plan in place to address concerns over beluga habitat, and that a sale of these tracts is in the best interest of the state.

DNR has also withdrawn Tracts 284, 285, 287, 485, 486, 488 and 489. These tracts cover the area previously included in oil and gas leases ADL 369100, 369101 and 369116. All tracts affected by these leases have been withdrawn due to litigation contesting actions taken by the Alaska Oil and Gas Conservation Commission (ADL's 369100 and 369100 in 3AN-97-54471CI/S-8690) or the Division of Oil and Gas (ADL 369116 in 3AN-00-3616CI). Leasing of these tracts is stayed pending final rulings in these cases.

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

Best Interest Finding and ACMP Consistency Determination

Cook Inlet Areawide 2002 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 new information has become available that justifies a supplement to the finding.

In support of this lease sale, the director of DO&G prepared and disseminated 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 leasing in the Cook Inlet area will best serve the interests of the state. This finding was issued on January 20, 1999. In addition, a final coastal zone consistency determination was made that a Cook Inlet lease sale is consistent with the Kenai Peninsula Borough, the Matanuska-Susitna Borough and the Municipality of Anchorage, and Alaska Coastal Management Programs (ACMP) under AS 46.40. Also, on May 10, 2000, DO&G issued a supplement to the Final Finding.

On September 18, 2001, DO&G issued a Call for New Information Cook Inlet Areawide 2002. Based on the response, DO&G is issuing a decision of No New Information.

Appeal Procedures

A person affected by this decision who provided timely written comment on this decision may request reconsideration, in accordance with 11 AAC 02. Any reconsideration request must be received by **February 19, 2002**, and may be mailed or delivered to Pat Pourchot, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918, or sent by electronic mail to dnr_appeals@dnr.state.ak.us. If reconsideration is not requested by that date or if the commissioner does not order reconsideration on his own motion, this decision goes into effect as a final order and decision on **March 1, 2002**. Failure of the commissioner to act on a request for reconsideration within 30 days after issuance of this decision is a denial of reconsideration and is a final administrative order and decision for purposes of an appeal to Superior Court. The decision may then be appealed to Superior Court within a further 30 days in accordance with the rules of the court, and to the extent permitted by applicable law. An eligible person must first request reconsideration of this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

Mitigation Measures and Lessee Advisories

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 this disposal best serves the interests of the state. To meet this requirement, the director has adopted environmental and social terms and conditions, which may include limits on surface entry for tracts leased in Cook Inlet Areawide Lease Sale 2002. These mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts of lease related activities. They will be enforced throughout the duration of the lease. 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.

The mitigation measures and lessee advisories in the Final Best Interest Finding for Cook Inlet Areawide Sale 1999 were revised for Cook Inlet 2001. There have been no significant changes made to those revised measures.

Sale Terms

Bidding Method:

The bidding method for all tracts in Cook Inlet Areawide 2002 will be cash bonus bidding with a minimum bid of **five dollars (\$5) per acre**.

Royalty Rate:

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

Length of Lease:

All leases will have an initial primary term of **seven (7) years**.

Lease Form

Leases will be executed on new lease Form No. DO&G 200004 (COMPETITIVE OIL AND GAS LEASE).

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.

Bidding Procedures

Cook Inlet Areawide 2002 is scheduled to be held beginning at 8:30 a.m., on May 1, 2002, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

Bids must be delivered to the Director, DO&G, 550 W. 7th Ave., in the Atwood Building, Suite 806, Anchorage, Alaska 99501. **BIDS WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Standard Time) on April 29, 2002.** Bids arriving prior that date will be held by DO&G until 9:00 a.m. on April 29, 2002 and will be officially received at that time. The division must receive all bids no later than 4:00 p.m., on April 29, 2002. Information regarding the bids will be held confidential until the day of the sale.

The envelope for each bid for tracts in Cook Inlet Areawide 2002 should be marked:

"State of Alaska, Cook Inlet Areawide Competitive Lease Sale 2002; not to be opened until 8:30 a.m., May 1, 2002; Tract # _____."

No other statements, information or identification should appear on the outside of the envelope.

BIDS RECEIVED AFTER 4:00 p.m. April 29, 2002 WILL BE REJECTED.

Bids will be processed on May 1, 2002 in the following manner:

1. 8:30 a.m. - 9:30 a.m., Unadjudicated bids will be opened and read in public in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage, Alaska.
2. 9:30 a.m. - 3:30 p.m., Bids will be adjudicated in the Division of Oil and Gas offices.
3. Preliminary Sale Results, including a list of the apparent high bidders, will be posted on the division's website once adjudication has been completed (posting may not occur until May 2, 2002).

In order to bid at the sale, bidders **must** pre-qualify no later than 4:00 p.m., April 29, 2002. Potential bidders should consult the Instructions to Bidders or DO&G for pre-qualification requirements and procedures.

Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, 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 after receipt of a notice of deficiency.

Sale Information

Copies of the Final Finding for Cook Inlet Areawide are available for public review at the following locations: the public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia, the Loussac Public Library in Anchorage; the Matanuska-Susitna Borough (MSB) Planning Department Offices in Palmer; the Kenai Peninsula Borough (KPB) Planning Department offices in Soldotna; and the Municipal Clerk's Office of the Municipality of Anchorage (MOA).

Potential bidders and interested individuals may obtain complete details regarding Cook Inlet Areawide 2002 including the following documents on the DO&G's Webpage at:

<http://www.dog.dnr.state.ak.us/oil>:

- Sale Announcement w/Mitigation Measures
- Instructions to Bidders w/ Estimated Tract acreage figures in "Attachment A"
- Bid Form
- Decision of No New Information
- Final Finding and Supplement
- Regional Tract Map

Paper copies of these documents, as well as other information, 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, or e-mail at msg@dnr.state.ak.us.

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.



Mark D. Myers
Director

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