

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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SALE ANNOUNCEMENT

COOK INLET AREAWIDE 2008 COMPETITIVE OIL AND GAS LEASE SALE

The Alaska Department of Natural Resources (ADNR), 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 the Cook Inlet Areawide 2008 (CI 2008) lease sale. Bid opening will begin at **9:00 a.m. on May 21, 2008** at the Wilda Marston Theater in the Loussac Public Library, 3600 Denali Street, Anchorage.

The CI 2008 sale area encompasses approximately 4 million acres divided into 815 tracts ranging in gross area from 640 to 5,760 acres. The sale area consists of state-owned uplands and tide and submerged lands lying between the cities of Houston to the north, Homer to the south, the Chugach and Kenai mountain ranges to the east, the Aleutian Range to the west, and within Cook Inlet. The sale area is located entirely within the Kenai Peninsula Borough, the Matanuska-Susitna Borough, and the Municipality of Anchorage. Activities resulting from this sale may affect the communities of Anchorage, Kenai, Palmer, Wasilla, Houston, Hope, Nikiski, Soldotna, Sterling, Ninilchik, Kasilof, Homer, Clam Gulch, Nikolaevsk and Anchor Point, as well as the villages of Knik, Tyonek, and Salamatof.

DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. The tract map shows generalized land ownership, existing leases, and pending leases. The tract map does not show detailed leased areas, detailed land ownership, or state selected land.

Only those lands within the sale area that as of February 1, 2008 have been conveyed to the state and are not covered by existing or pending leases will be considered available for leasing. Lands that are conveyed to the state or that become available for leasing after that date will be offered in Cook Inlet Areawide 2009, scheduled for May 2009. **Bidders are cautioned to independently verify state title to acreage within these tracts prior to bidding.**

The exact amount of net leaseable acreage in any tract will not be determined unless a bid is received for that tract. Following the sale, ADNR 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. Acreage not owned by the state, already subject to an oil and gas lease or pending lease, or clouded by title claims, will be excluded from the lease.

Best Interest Finding and ACMP Consistency Determination

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

CI 2008 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 acreage for oil and gas lease that has been subject to a best interest finding issued within the previous 10 years, unless the ADNR commissioner determines that new information has become available that justifies a supplement to the finding.

On January 20, 1999 the director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) in support of a Cook Inlet Areawide oil and gas lease sale. The finding set forth the facts, policies, and applicable laws upon which the director based his determination that oil and gas leasing in the Cook Inlet area will best serve the interests of the state. 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, the Municipality of Anchorage, and Alaska Coastal Management Programs (ACMP) under AS 46.40. ADNR issued supplements to the final finding on May 10, 2000, February 18, 2004, and February 21, 2007.

Supplement to the Cook Inlet Areawide Oil and Gas Lease Sale Best Interest Finding

On September 13, 2007 DO&G issued a *Call for New Information* for the proposed Cook Inlet Areawide 2008 Oil and Gas Lease Sale, requesting any new information subsequent to the 1999 finding and 2000, 2004, and 2007 supplements. Based on the information received in response to the 2007 call for comments, ADNR issued a *Supplement to the Cook Inlet Areawide 1999 Oil and Gas Lease Sale Final Finding of the Director* on February 4, 2008. The supplement is available on the Division's website and at the locations listed below. See the decision for appeal procedures and deadlines.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the director of 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 mitigation measures that will be enforced throughout the duration of the lease. These mitigation measures, which may include limits on surface entry on the lease tracts, 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 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. Some proposed activities may also be subject to local land use regulations.

Notice to Bidders

The Cook Inlet beluga whale, the presence of which is known throughout the Cook Inlet Areawide oil and gas lease sale area, is listed as depleted under the Marine Mammal Protection Act. In April 2007, the National Marine Fisheries Service (NMFS) proposed to list the Cook Inlet beluga whale population as endangered under the Endangered Species Act. A final decision is expected in April 2008. If the beluga whale becomes listed, ADNR would impose any additional mitigation measures or restrictions on relevant tracts to minimize impacts to the beluga whale as required by the law.

ADNR will notify all interested parties of additional mitigation measures or restrictions, should those become necessary, as soon as possible.

Tract Deletions and Deferrals

DNR has deferred all unleased acreage in Tract 121 from CI2008. This tract will not be offered for lease in this sale, but may be included in future lease sales.

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

Bid Submission

Bids must be received by DO&G no later than 4:00 p.m. May 19, 2008.

Bidding Method

The bidding method for all tracts will be cash bonus bidding with a minimum bid of **ten dollars (\$10) 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.

Length of Lease

Leases for tracts 11-13, 15-17, 33, 34, 36-46, 62, 63, 65-69, 72, 91-95, 97, 98, 133-137, 140, 163-171, 174, 200, 276, 279-281, 283-287, 289, 342, 345-354, 357, 360, 361, 396, 397, 399-403, 414, 415, 418, 420, 421, 425, 428, 429, 476-484, 487, 490 and 735 will have a primary term of **seven (7) years**.

All other tracts will have a primary term of **five (5) years**.

Royalty Rate

All leases will have a fixed royalty rate of **twelve and one half percent (12 1/2%)**.

Lease Form

Leases will be executed on Competitive Oil and Gas Lease Form # DOG 200604.

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 (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

Copies of the final finding 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). Complete details regarding the Cook Inlet 2008 sale, including the following documents, are on the DO&G's Webpage at <http://www.dog.dnr.state.ak.us/>:

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- 1999 Final Finding; 2000, 2004, and 2007 Supplements
- February 4, 2008 Supplement to the Cook Inlet Areawide 1999 Oil and Gas Lease Sale Final Finding of the Director
- Regional Tract Map

Copies of these documents, as well as other information, are available by contacting Tim Jones, Division of Oil and Gas, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560; by calling during regular office hours at (907) 269-8814; or by email to timothy.jones@alaska.gov.

Americans with Disabilities Act Compliance

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 Tim Jones at (907) 269-8814 to make any necessary arrangements.



Kevin Banks,
Acting Director