



March 7, 2014

**SALE ANNOUNCEMENT AND INSTRUCTIONS TO BIDDERS
COOK INLET AREAWIDE 2014W
COMPETITIVE OIL AND GAS LEASE SALE**

The Alaska Department of Natural Resources (DNR), Division of Oil and Gas (DO&G), announces the Cook Inlet Areawide 2014W lease sale (CI 2014W) to be held at 9:00 a.m. on Wednesday, May 7, 2014 at the Dena'ina Civic and Convention Center in Anchorage, Alaska.

Areawide Lease Sale Location

The Cook Inlet Areawide lease sale area encompasses approximately 4 million acres divided into 815 tracts ranging in size from 100 acres 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 within the Kenai Peninsula Borough, the Matanuska-Susitna Borough, and the Municipality of Anchorage.

Sale Dates

- Last day for acreage to be included in lease sale – Saturday, March 1, 2014
- Tract map available – Friday, March 7, 2014
- Last day to qualify to bid – Friday, May 2, 2014
- Bid submission – Monday, May 5, 2014 from 9:00 a.m. to 4:00 p.m.
- Last day to retract bid – Tuesday, May 6, 2014 at 12:00 noon
- Bid opening – Wednesday, May 7, 2014 from 9:00 a.m. until all bids are read

Sale Documents

The following documents are on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

- Notice of Sale
- Sale Announcement and Instructions to Bidders
- Attachment A with estimated tract acreage figures and deferred tracts
- Lease Forms
- Mitigation Measures
- Bid for DNR Areawide Oil & Gas Lease Sale Form
- Tract Map

Paper copies of these documents are available for a fee. Printed copies of the tract map can be ordered for \$50.00. To order any of these documents, please contact:

Leasing Section
Alaska Department of Natural Resources
Division of Oil and Gas
550 West 7th Avenue, Suite 1100
Anchorage, AK 99501-3563
Phone: (907) 269-8800
Email: dog.leasing@alaska.gov

Copies of these documents have been provided to the following locations: public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia; the Matanuska-Susitna Planning Department offices in Palmer; the Kenai Peninsula Borough Planning Department offices in Soldotna; the Anchorage Municipal Clerk's office; and the Z.J. Loussac Public Library in Anchorage.

Acreege Offered in Areawide Lease Sales

DO&G may accept bids on all lease sale tracts, except tracts deferred or deleted from sale. An Areawide lease sale tract map displaying the location of all lease sale tracts within the Areawide sale will be released according to the **Sale Dates** section of this document. The lease sale tract map will also show general land ownership and lease status.

Only state-owned lands available for leasing on or before March 1, 2014 may be leased in the sale. Lands that become available for leasing after that date may be offered in a future lease sale. Lands within a tract will not be leased if not owned by the state, subject to an existing oil and gas lease, clouded by title claims, within tracts deferred or deleted from sale, subject to pending applications or administrative appeals or litigation, or otherwise determined to be unavailable for leasing.

The amount of state-owned oil and gas available for leasing in an individual lease sale tract will not be determined unless a bid is received for the tract. Following the sale, DO&G will complete a comprehensive evaluation of land status, ownership and survey information for lands within tracts that received bids. DO&G will determine what lands, if any, are available for lease. The evaluation may take several months to complete.

Estimated acreage for each lease sale tract is listed in Attachment A and is used to calculate Total Estimated Bonus Bids and minimum bid deposits. Estimated acreages may be more than the actual available, leasable acreage for some lease sale tracts due to changes in lease status, changes in mineral estate ownership, or lack of prior evaluation of oil and gas available for leasing within the lease sale tract. Please note that acreage estimates for over 160 Cook Inlet Areawide lease sale tracts were refined prior to the 2014W lease sale. A 100 acre minimum was established for the purposes of calculating Total Estimated Bonus Bids and minimum bid deposits. Tracts with a 100 acre minimum estimated acreage may have between 0 and 100 acres available for lease, with a final determination made on receipt of a valid bid presenting the highest bid per acre.

A bid on a lease sale tract that DO&G determines has no lands available for leasing will not have priority over later bids when lands become available for leasing, nor will the bid be valid for future lease sales.

Bidders are cautioned to verify land status, ownership, and acreage within lease sale tracts prior to bidding.

State land title and active leases within a lease sale tract (LST) and meridian, township, range, and section (MTRS) can be researched using DNR Land Administration System (LAS) case file and land abstract information at <http://dnr.alaska.gov/projects/las/lasmenu.cfm>. Additional ownership and acreage information can be obtained from land records maintained by the Department of Natural Resources at <http://dnr.alaska.gov/landrecords/> and US Department of Interior Bureau of Land Management at <http://sdms.ak.blm.gov/>.

Tracts Deferred or Deleted from Sale

Deferred lease sale tracts will not be offered for lease in this sale, but may be included in future lease sales. DO&G will annually review the available information for the tract to determine whether or not to offer the tract in future lease sales.

DO&G reserves the right to delete or defer any additional acreage or tracts from the sale at any time prior to issuance of the lease. Currently deferred or deleted lease sale tracts are listed on Attachment A at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

Bids on lease sale tracts that are deferred or deleted prior to bid submission will not be accepted, opened, or read at the sale.

Bids on lease sale tracts that are deferred or deleted after bid opening will be returned along with the bid deposit. The bid will not have priority over later bids when the lease sale tract is returned to sale, nor will the returned bid be valid for future lease sales.

Sale Terms and Conditions

The bidding method, minimum bid, and terms and conditions are shown in the following table. Bids for less than the minimum per-acre bid will be rejected.

Lease Sale Tracts	Bid Variable	Minimum Bid	Royalty Rate	Primary Lease Term	Annual Rental Rate	Lease Form
All CI 2014W Tracts	Cash Bonus	\$25.00 per acre	12.5% Fixed	10 Years	Years 1 – 7 \$10.00 per acre Years 8+ \$250.00 per acre	DOG201308W

Annual rental will be as listed above; except that beginning in the year after the year in which sustained production commences on the lease or the state otherwise determines in its sole discretion, upon request, that the lessee has exercised reasonable diligence in exploring and developing the lease the annual rental will be \$10.00 per acre or fraction of an acre. In evaluating a request to decrease rental based on the exercise of reasonable diligence, the state will consider the funds expended by the lessee to explore and develop the lease and the types of work completed by or on behalf of the lessee on this lease.

Leases will be executed on Competitive Oil and Gas Lease Form as listed above. A sample lease form is available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the DO&G Director the authority to impose conditions or limitations in addition to those required by law to ensure the disposal best serves the interests of the state. To meet this requirement, the Director has adopted mitigation measures that will be in effect throughout the duration of the lease.

The mitigation measures for leases issued as a result of this lease sale are available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.

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.

Best Interest Finding to Offer Oil and Gas Leases in Areawide Sales

The CI 2014W lease sale is being held under Alaska Statutes AS 38.05.035(e)(6)(F) and AS 38.05.180. Under these provisions, land that is subject to a best interest finding issued within the previous 10 years may be offered for lease. Every year the commissioner requests substantial new information that may justify a supplement to the finding.

DO&G issued a written finding and decision under AS 38.05.035(e) and (g) on January 20, 2009. The decision sets forth the facts, policies, and applicable laws and regulations upon which the Director based his determination that oil and gas lease sales in the Cook Inlet area will best serve the interests of the state. The 2009 finding was supplemented on February 4, 2010, and February 8, 2011. On October 9, 2013, DO&G issued a Call for New Information requesting substantial new information that may justify a supplement to the 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 17, 2014.

The following Cook Inlet best interest finding documents are available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/BestInterestFindings.htm>

- Final Finding (January 20, 2009)
- Decisions of Substantial New Information (February 4, 2010 and February 8, 2011)
- Decision of No Substantial New Information (January 6, 2012, January 22, 2013, and January 17, 2014)

Pre-Qualification of Bidders

Bidders must pre-qualify with DO&G in accordance with 11 AAC 82.200 and 11 ACC 82.205. Corporations, partnerships, joint ventures, limited liability companies, and other unincorporated associations must also be qualified with the Alaska Department of Commerce, Community and Economic Development (DCC&ED) to do business in Alaska prior to the lease sale.

Information on how to qualify with DO&G is available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/LeaseFAQs.htm>. For additional information on qualifying, please call the Leasing Section at (907) 269-8800, or email dog.leasing@alaska.gov.

Information on how to qualify with DCC&ED and obtain copies of certificates is available on the DCC&ED website at <http://commerce.alaska.gov/dnn/cbpl/Corporations.aspx>. For additional information on qualifying or obtaining certificates, please call the Corporations Section at (907) 465 2530 or email corporations@alaska.gov.

Qualification information and supporting documents must be on file with the DO&G no later than specified in the Sale Dates section of this document. It is the bidder's responsibility to ensure that all pre-qualification requirements are met. Failure to provide the DO&G with qualification information or documents may result in rejection of bids.

Materials previously filed with the DO&G, if current and accurate, may be used to meet qualification requirements. When submitting qualifying information and documents reference the filing date of the previously filed material and provide a statement as to any material changes or amendments.

The DO&G will assign a qualification file number when corporation, partnership, or joint venture qualification requirements are met.

Preparing Bids for Submission

Bidders are encouraged to contact the DO&G with questions about submitting bids. Please use the contact information provided under the **Sale Documents** section. Bids accompanied by incomplete bid forms may be rejected.

1. *Bid form.* Bids for this lease sale must be submitted on the form Bid Form for DNR Areawide Oil & Gas Lease Sale (Revised 3/2014) or an exact copy of that form. The bid form can be downloaded from the DO&G website at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm>.
2. *Sale Information.* Include the Areawide lease sale area name with year. Include the lease sale tract. Parcel information is specific to select North Slope Areawide competitive oil and gas lease sale tracts with parcel designations A through D and may be omitted for other lease sales. Bids for less than a full tract will be rejected.
3. *Bidder information.* Include the name of the bidding individual or bidding entity name, if applicable, and sign the bid form. If more than one person or entity is submitting a joint bid, all bidders must be listed and sign the bid form. Under 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person or entity that has any working interest in the bid or who will receive any working interest in any lease issued in this sale by virtue of any agreement or understanding, oral or written. The qualification file number is the number assigned to an entity when initial qualification requirements are met. Qualification file numbers can be found at <http://dog.dnr.alaska.gov/Leasing/LeaseReports.htm>.
4. *Lease interest percentages.* Joint bids with fractional lease interests must include lease interest percentages expressed in decimals of no more than five digits without rounding. The sum of all ownerships for each bid must equal 100.00000 percent. The lease interest percentage for a sole bidder is 100.00000.
5. *Bid amount.* Each bid must include the Total Bid Per Acre and Total Estimated Bonus Bid. Bids for less than the minimum per-acre bid specified in Attachment A will be rejected. The Total Bid Per Acre controls in case of discrepancy. Bidders are required to use the Estimated Acreage listed on Attachment A for the purposes of calculating Total Estimated Bonus Bids.
6. *Bid deposit.* Each bid must include a bid deposit equal to or greater than **20% of the Total Estimated Bonus Bid being offered for the tract, or minimum bid deposit amount**. The bid deposit must be cash, money order, cashier's check or certified check in US dollars. Personal checks will not be accepted. Checks must be

drawn on any solvent bank in the United States. Make checks and money orders payable to the "Department of Natural Resources, State of Alaska."

Bid deposit calculations that result in sums containing fractions of less than one dollar should be rounded up to the nearest whole dollar in order to ensure that a minimum of 20% of the Total Estimated Bonus Bid is tendered.

Sample Total Estimated Bonus Bid and Minimum Bid Deposit Calculation						
Sample Bid Data						
Areawide Lease Sale Tract		432				
Estimated Acreage from Attachment A		1,920 acres				
Minimum Bid Per Acre from Attachment A		\$25.00				
Total Bid Per Acre		\$25.27				
Estimated Acreage		Total Bid Per Acre		Total Estimated Bonus Bid		
<u>1,920</u>	Acres	X	\$	<u>25.27</u>	/Acre = \$	<u>48,518.40</u>
Total Estimated Bonus Bid		20%		Minimum Bid Deposit Amount		
\$	<u>48,518.40</u>	X	0.20	= \$	<u>9,703.68</u>	
The recommended bid deposit amount after rounding up to the nearest whole dollar is \$9,704.00.						

7. *Person responsible for receiving correspondence.* Include the contact information for the person responsible for receiving correspondence regarding the bid. Include instructions for the return of the bid deposit in the event that the bid is unsuccessful.
8. *Sealed bids.* Each bid with bid deposit must be submitted in a sealed envelope. Each envelope must contain only one bid and one bid deposit for one lease sale tract. The envelope must be marked with sale information and lease sale tract information, as shown below. No other markings should appear on the outside of the bid envelope.

State of Alaska, Cook Inlet Areawide Lease Sale 2014W
Not to be opened until 9:00 a.m., May 7, 2014; Tract # _____

Note: Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required in the bid form, 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.

Bid Submission

Hand-carried bids may be delivered on **May 5, 2014 from 9:00 a.m. until 4:00 p.m.** to the DO&G offices in Suite 800 of the Atwood Building, located at 550 West 7th Avenue, Anchorage, Alaska. Mailed bids and bids sent by delivery service must be sent to the DNR Division of Oil & Gas, Attn: Lease Sales, 550 West 7th Avenue Suite 1100, Anchorage, Alaska 99501-3560. Bidders are encouraged to place sealed bids in a second envelope when mailing bids or using a delivery service.

DO&G must receive a bid no later than 4:00 p.m. on Monday, May 5, 2014 in order to include the bid in the bid opening. Bids arriving by mail or delivery service prior to May 5, 2014, will be held by DO&G until 9:00 a.m. May 5, 2014, and will be officially receipted at that time. **Bids received after 4:00 p.m. Monday, May 5, 2014 will not be accepted, opened, or read at the sale.**

Bids on deferred or deleted tracts will not be accepted, opened, or read at the sale. Please refer to the section **Tracts Deferred or Deleted from Sale** for more information.

Submitted bids may be withdrawn by the bid agent prior to 12:00 noon on Tuesday, May 6, 2014 without forfeiting the bid deposit. A bid deposit will be forfeited on any bid withdrawn after that time.

Information pertaining to the total number of bids received, total number of tracts receiving bids, and total acreage receiving bids may be released on Tuesday, May 6, 2014 after the 12:00 noon bid withdrawal deadline at the discretion of the Commissioner of DNR.

Bid Reading and Processing

The CI 2014W lease sale will be held on **May 7, 2014, at the Dena'ina Civic and Convention Center, 600 West 7th Avenue, Anchorage, Alaska**. Bids will be processed in the following manner:

1. *Bid opening and reading.* Bids will be opened and read in public at the above address. Bid opening will start at 9:00 am and will continue as long as necessary to open and read all bids.

The opening and reading of bids is for the sole purpose of publicly announcing bids received. No bids will be officially validated or rejected at this time.

2. *Bid adjudication.* Bids will be adjudicated in the DO&G offices following bid opening and reading.
3. *Results.* Preliminary sale results, including a list of the apparent high bidders, will be posted on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/SaleResults.htm> once bid adjudication is complete.
4. *Return of bid deposit.* A bidder submitting a bid that is not the apparent high bid may pick up bid deposits between 9:00 a.m. and 3:00 p.m. on Friday, May 9, 2014, in Suite 1100 of the Atwood Building, located at 550 West 7th Avenue, in Anchorage, Alaska. Bid deposits that have not been returned by 3:00 p.m., May 9, 2014, will be returned to the bidder by mail according to the instructions for return of bid deposit on the bid form.
5. *Presentation of bid deposits for payment.* Bid deposits for an apparent high bid tendered in cash or by certified check, cashier's check or money order will be presented (dependent upon bid adjudication) on May 9, 2014, for payment in federal funds at the First National Bank of Anchorage.

Method of Handling Bids Following Bid Opening

The bidder submitting a valid bid presenting the highest Total Bid Per Acre will be the apparent high bidder. Once the commissioner accepts the apparent high bids and bid deposits, the high bidders will receive a **Notice to High Bidder** informing them of the commissioner's acceptance of their apparent high bid and bid deposit. Please note that this may take several weeks.

Once the **Notices to High Bidders** are issued, DO&G will complete a comprehensive evaluation of land status, ownership and survey information for lands within tracts that received bids. DO&G will determine what lands, if any, are available for lease. The evaluation may take several months to complete.

After a determination on what lands, if any, are available for lease, DO&G will issue **Award Notices** to the high bidders. The **Award Notices** will inform the high bidders of the actual total amount of leasable acreage, if any, within the tracts, the actual total bonus bid amounts for the tracts, interest rate and interest on the bonus bid amount, and the first year's rental, all of which must be paid before a lease will be awarded.

The State of Alaska, Department of Natural Resources, Division of Oil & 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 call the Leasing Section at (907) 269-8800 or email dog.leasing@alaska.gov to make any necessary arrangements.



W.C. Barron
Director, Division of Oil and Gas