

STATE OF ALASKA

Tony Knowles, Governor

Department of Natural Resources

3601 C STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948

Division of Oil and Gas

November 17, 1998

Phone: 269-8805

Instructions to Bidders

NORTH SLOPE AREAWIDE 1999 COMPETITIVE OIL AND GAS LEASE SALE

A. Acceptance and Rejection of Bids

The state hereby expressly reserves the right to reject any bid on any tract. No bid for any tract will be accepted and no lease for any tract will be awarded to any bidder unless the following conditions have been met:

1. The bidder has complied with this notice and applicable state regulations and statutes.
2. The bid is the highest valid cash bonus bid.
3. The amount of the bid has been determined to be adequate by the Commissioner of the Department of Natural Resources.
4. A bid deposit equal to at least 20% of the estimated highest possible total bonus bid for the tract accompanies the bid.

In addition, no bid containing or accompanied by any condition, qualification or material alteration will be considered.

B. Pre-Qualification of Bidders

In order for bids for this sale to be accepted, bidders **must** be pre-qualified with the Division of Oil and Gas (DO&G) no later than 4:00 p.m., February 22, 1999. To pre-qualify the following information and documents **must** be on file at DO&G:

1. **Individual**

- a. In the case of a person, an original, signed and dated statement including the bidder's name, current address, telephone number, e-mail address (if used) and a certification that the bidder is of the age of majority; or
- b. In the case of a guardian, trustee, or other legal representative of a person, a certified copy of the court order authorizing the representative to act in that capacity and to fulfill on behalf of the person all obligations arising under the lease and the representative's certification of the age of the person and the representative; or
- c. In the case of an agent acting on behalf of an individual, an original or certified copy of a notarized power of attorney authorizing the agent to act on behalf of the individual.

2. **Corporation**

- a. The current name, address, phone and fax number of the corporation. Bidders are also asked to provide e-mail addresses;
- b. A list of the individuals authorized to act on its behalf with respect to the bid;
- c. An original or certified copy of a notarized power of attorney authorizing any agent who is not a current officer but who has been authorized by the corporation to act on its behalf with respect to the bid;
- d. A **1998 or 1999** Certificate of Compliance for a corporation qualified to do business in Alaska or, if qualifying to do business in Alaska and qualifying for a lease sale for the first time, either:
 - (1). A Certificate of Authority for a foreign corporation qualified to do business in Alaska (a foreign corporation is a corporation incorporated outside Alaska), or
 - (2). A Certificate of Incorporation for a domestic corporation qualified to do business in Alaska.

The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws and thus remains qualified to do business in the state. It remains the bidders responsibility to assure that the required certificate is filed with DO&G.

The required Alaska Certificate of Compliance, Certificate of Authority, or Certificate of Incorporation, must be requested from the Alaska Department of Commerce and Economic Development, (DC&ED). For information on obtaining a certificate write the DC&ED, Corporation Section, 3601 C Street, Suite 724, Anchorage, Alaska 99503 or call (907)

269-8140. Upon proper application, the DC&ED will issue the requested certificate. Please allow **3 weeks** for the processing of the certificate.

3. **Partnership, joint venture, or other unincorporated association**

- a. A statement describing the business relationship between the members of the association, joint venture or partnership; and
- b. The documents required for individuals or corporations for each participant as appropriate.

To pre-qualify, the appropriate information and documents must be on file at DO&G. If current and accurate, material previously filed with these offices that satisfies all or part of the qualification requirements may be used by reference to the filing date of the previously filed material and by providing a statement as to any material changes or amendments. It remains the bidder's responsibility to assure that all pre-qualification requirements are fulfilled. Failure to provide DO&G with any of the above required documents or information may result in disqualification and the rejection of any bids submitted. For additional qualification information, please contact Judy Stanek of DO&G at (907) 269-8816.

C. **Bid Submission**

Bids will be received for this sale by the Director of DO&G or his authorized agent on February 22, 1999 in DO&G's **NEW** offices on the Eighth Floor of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska. Bids arriving prior to February 22, 1999 will be held by DO&G until 9:00 a.m. February 22, 1999 and will be officially received at that time. Bids that are mailed should be sent to the Director, DO&G, 3601 C St., The Frontier Building, Suite 1380, Anchorage, Alaska 99503-5948. **Bids that are sent by a delivery service, should be sent to DO&G's new offices.** All bids must be received by the division no later than 4:00 p.m. February 22, 1999. **BIDS RECEIVED AFTER 4:00 p.m., FEBRUARY 22, 1999 WILL BE REJECTED.** Information regarding the bids will be held confidential until the day of the sale.

NOTE: For Areawide Oil and Gas Lease Sales, successful bidders will be determined based on the submission of the **HIGHEST BONUS BID PER ACRE** for a tract, rather than the total bonus bid per tract.

D. **Form for Submission of Bids**

1. Bids for North Slope Areawide 1999 must be executed on bid form #10-1201-99 NS Areawide, (revised 11/98) or an exact copy of the appropriate form.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked, as appropriate:

"State of Alaska, North Slope Areawide Competitive Lease Sale 1999; not to be opened until 8:30 a.m., FEBRUARY 24, 1999; Tract # _____."

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

3. Each bid must be submitted on the bid form required for the specific sale or an exact copy of the bid form.
4. A separate bid must be submitted for each tract.
5. The bid form must be completely filled out. The bidder or the authorized representative designated to receive official notices on behalf of all bidders must state his or her name, company (if applicable), address, and e-mail address if used and telephone number on the bid form. Bidders must also designate themselves or another individual to contact regarding the bid. All lease interest percentages must be represented by numbers with the fractional interest carried out to no more than five decimal places. No bids with the lease interest represented by fractions will be accepted unless the fraction can be expressed in decimals of no more than five digits without rounding off. The sum of the lease interest ownerships covered by this bid must be exactly 100.00000 percent.
6. Each bid must include either the total amount of the estimated total cash bonus bid or a bid deposit as required by AS 38.05.860(c). A bid deposit must equal **a minimum of 20.00000%** of the total **estimated total cash bonus** being offered for the tract. All funds must be in U.S. dollars and must be tendered in cash or by bank draft, money order, cashier's check or certified check. All checks, bank drafts or money orders must be made payable to the "Department of Revenue, State of Alaska." Checks may be drawn on any solvent bank in the United States.

Caution: All bid deposit calculations that result in sums containing fractions of less than one dollar should be rounded upwards to the nearest whole dollar in order to ensure that a minimum of 20.00000% of the total estimated bid is being tendered.

Note: Personal checks will not be accepted. No bid for less than a full tract will be considered. Bid deposits for less than 20.00000% of the total estimated bonus bid for the tract will not be accepted.

7. Due to the large amounts of land involved with areawide oil and gas lease sales, the actual leasable acreage for each tract will not be determined until after the lease sale. After bids for the individual tracts have been accepted, a title review for the individual tract will be completed and the total leasable acreage determined. For the purposes of formulating bids, bidders are required to calculate the **estimated total cash bonus** bid based on an estimated acreage figure (See Attachment A). In most cases these estimated tract acreages will be more than the actual available leasable acreage for each tract. **The bidder submitting a valid bid**

representing the highest Bid Per Acre will be the apparent high bidder. The high bidders will then receive a **Notice to High Bidder** informing them of the commissioner's acceptance of the high bid and the bid deposit, the ADL number for the pending lease, and notification of the initiation of the title review.

Sample Bid/Minimum Bid Deposit Calculation:

Tract # 0433, @ Bid of \$ 5.259 per acre.

Estimated acreage from Attachment "A" = 4,480 acres

4,480 acres x \$5.259 bid per acre = \$23,560.32 **estimated** total cash bonus bid.

\$23,560.32 **estimated** total cash bonus bid
x 20.0000% **minimum** bid deposit required
= \$4,712.064 **minimum** bid deposit amount

= \$4,713.00 bid deposit amount **rounded upwards** to nearest whole dollar.

8. Under 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person or company which 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. This requirement does not mean that persons or companies which are interested in a bid only as stockholders in a corporation must sign the bid and lease form, and does not mean that the designated information must be furnished as to those entities. Joint bids must state the percentage of interest of each bidder and must designate one person who is authorized to receive notices on behalf of all the bidders.

Failure to comply with any of these requirements or procedures may result in the rejection of any deficient bid.

E. Bid Processing and Reading

North Slope Areawide Lease Sale 1999 is scheduled to be held on February 24, 1999, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage. Bids will be processed in the following manner:

1. 8:30 a.m. - 10:00 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. 10:00 a.m. - 3:30 p.m., Bids will be adjudicated in the offices of the Division of Oil and Gas.

3. 3:30 p.m., Preliminary Sale Results, including a list of the apparent high bidders, will be available to the public in the Director's suite of DO&G's **NEW** offices on the Eighth Floor of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska.

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

F. **Method of Handling Bid Deposits and Lease Awards**

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Receipt of a bid deposit by the state does not constitute and shall not be construed as acceptance of any bid on behalf of the state.

2. A bidder submitting a bid which is not the apparent high bid may pick up the bid deposit from 3:30 p.m. to 4:00 p.m., February 24, 1999, and from 9:00 a.m. to 3:00 p.m. on February 25, 1999, in the offices of the Division of Oil and Gas, on the Eighth Floor of the Bank of America Building, located at 550 W. 7th Ave., in Anchorage, Alaska. Bid deposits, which have not been retrieved by 3:00 p.m., February 25, 1999, will be returned to the bidder by mail according to the instructions for return of bid deposit shown on the bid form.

3. **DO&G and DOR no longer requires that bid deposits for an apparent high bid tendered by bank draft, money order, cashier's check or certified check drawn on a non-Alaska bank be wire transferred to a state account.**

4. All bid deposits for an apparent high bid tendered in cash or by bank draft, certified check, cashier's check or money order will be presented on February 24, 1999, for payment in federal funds at the First National Bank of Anchorage.

5. Upon rejection by the State of Alaska of any apparent high bid which is not in default, the bid deposit for that bid will be returned by certified mail to the bidder at the address shown on the bid form.

6. Once the **Notice to High Bidder** has been issued, DO&G will initiate title review for a tract receiving a high bid. Sale tracts will be processed in numerical order beginning with the lowest tract number receiving a bid and preceding to the highest tract number receiving a bid. Once title has been cleared and the leaseable acreage for the tract has been determined, DO&G will issue an **Award Notice** to the successful bidder. The **Award Notice** will be sent by overnight or express mailing service and will include two copies of the lease for signature. The **Award Notice** will inform the successful bidder of the total actual amount of leaseable acreage within the tract and the actual total bonus bid for the tract. The total bonus bid will be determined by multiplying the total leaseable acreage by the bid per acre submitted by the successful bidder.

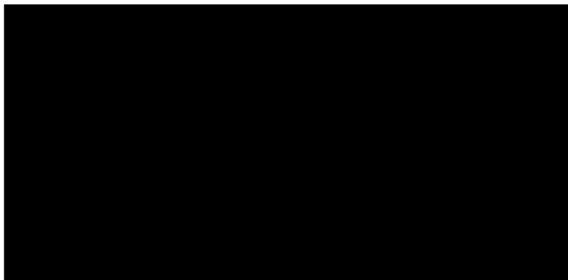
7. If the total cash bonus bid exceeds the estimated bid deposit then the successful bidder must submit the balance of the total actual cash bonus bid. Within **30 days** of the date that the successful bidder receives notification of the lease award, the bidder must:

- a. sign both copies of the lease;
- b. return both lease documents in their entirety to DO&G for execution;
- c. pay the balance of the cash bonus and accrued interest (if any); and
- d. pay the first year annual rental;

Interest of **4.5%** per annum (which is the market interest rate for 90-day U.S. Treasury Bills averaged for the week of November 2 through November 6, 1998) will be charged on the balance of the cash bonus accruing from the date following the successful bidder's receipt of the **Award Notice** up to and including the date of payment. Interest must be paid on the cash bonus only and not on the first year of rental.

Payment of the balance of the cash bonus, accrued interest and rental **must** be accomplished in the following manner:

The successful bidder will wire transfer federal funds in the amount of the balance of the cash bonus and accrued interest and annual rental for the first year to:



The wire transfer should specify on whose behalf the payment is being made. If possible, bidders should use only one wire transfer. Interest calculations should be based on a 360-day year times the actual number of days that interest is owed.

If funds in the amount of the balance of the bonus bid are not received by wire transfer at the State Street Bank and Trust Company, or the lease documents are not received by DO&G within 30 days of the date that the bidder receives notification of the lease award, under 11 AAC 82.465 the bid will be in default and the amount deposited with the bid is forfeited to the state.

In addition, the successful bidder must, before the wire transfer, deliver to, or facsimile transmit the following information to the Alaska Department of Revenue, Treasury Division, Attn.: Debora Idone, Fax #(907) 465-4019, and the Department of Natural Resources, DO&G, Attn.: Pirtle Bates, Fax (907) 563-0415.

- a. the Alaska Division of Lands (ADL) number assigned to each tract;

- b. amount of balance of cash bonus bid being paid per tract, interest on that balance and annual rental;
- c. name of the bidder whose funds are being wire transferred;
- d. originating bank of the wire transfer; and
- e. total amount of wire transfer.

8. If the bid deposit submitted for the tract exceeds the actual total cash bonus bid for the tract, a refund of the excess bid deposit will be initiated at the time the Award Notice is issued. No interest will be paid by DNR on excess bid deposit funds.

For further information regarding wire transfers and computation of interest, please contact Debora Idone, Cash Manager, Treasury Division, Juneau, Alaska (907) 465-2360. For further information regarding North Slope Areawide 1999 please contact Joseph Joyner, DO&G, Anchorage, Alaska (907) 269-8805.

Attachment A

Estimated Acreage for Tract offered in North Slope Areawide Oil and Gas Lease Sales

<u>Tract Number</u>	<u>Estimated Acreage</u>
Tract 0001	5,760
Tract 0002	3,840
Tracts 0003 through 0088,	5,760 each
Tract 0089	5,120
Tract 0090	5,760
Tract 0091	3,840
Tracts 0092 through 0175,	5,760 each
Tracts 0176 through 0177	3,840 each
Tract 0178	5,760
Tract 0179	4,480
Tracts 0180 through 0261	5,760 each
Tract 0262	3,840
Tract 0263	3,200
Tract 0264	5,760
Tracts 0265 through 0266	5,120 each
Tract 0267	5,760
Tract 0268	3,840
Tracts 0269 through 0350	5,760 each
Tract 0351	3,840
Tract 0352	1,920
Tracts 0353 through 0432	5,760 each
Tract 0433	4,480
Tracts 0434 through 0437	3,840 each
Tracts 0438 through 0518	5,760 each
Tract 0519	3,840
Tracts 0520 through 0601	5,760 each
Tract 0602	5,120
Tract 0603	5,760

<u>Tract Number</u>	<u>Estimated Acreage</u>
Tract 0604	3,840
Tract 0605	3,200
Tracts 0606 through 0607	4,480 each
Tract 0608	3,840
Tract 0609	5,120
Tracts 0610 through 0611	3,840
Tract 0612	5,120
Tract 0613	5,760
Tract 0614	3,840
Tracts 0615 through 0652	5,760 each
Tracts 0653 through 0744	2,560 each
Tract 0745	3,200
Tract 0746	1,920
Tracts 0747 through 0751	2,560 each
Tract 0752	1,920
Tracts 0753 through 0913	2,560 each
Tract 0914	1,920
Tract 0915	2,560
Tract 0916	3,200
Tract 0917	1,920
Tract 0918	640
Tracts 0919 through 0923	2,560 each
Tract 0924	1,920
Tracts 0925 through 0926	2,560 each
Tract 0927	1,280
Tracts 0928 through 1031	2,560 each
Tract 1032	1,280
Tract 1033	2,560
Tract 1034	1,920
Tract 1035	2,560
Tract 1036	640--
Tracts 1037 through 1133	2,560 each
Tract 1134	1,280
Tracts 1135 through 1225	2,560 each