

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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SALE ANNOUNCEMENT

NORTH SLOPE AREAWIDE 2009 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 North Slope Areawide 2009 (NS 2009). The NS 2009 sale will be held in Anchorage beginning at **9:00 a.m., October 28, 2009**, Dena'ina Civic Convention Center, 600 W. 7th Avenue, Anchorage

The North Slope Areawide sale area encompasses a gross area of approximately 5.1 million acres that are divided into 1,225 tracts ranging in size from 640 to 5,760 acres. These tracts are located entirely within the North Slope Borough between the Canning River and Arctic National Wildlife Refuge (ANWR) on the East and the Colville River and National Petroleum Reserve - Alaska (NPRA) on the West. The southern boundary of the sale area is the Umiat baseline. The northern fringe of the sale area is set back from the Beaufort Sea to exclude any tide or submerged lands. 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 State-owned lands and lands jointly-owned by the State of Alaska and Arctic Slope Regional Corporation (ASRC) that were available on September 8, 2009 may be leased in NS 2009. Lands that are conveyed to the state or that become available after that date will be offered in a future North Slope Areawide sale.

The tract map does not show detailed land ownership or land under lease. **Bidders are cautioned to verify state title or land available for leasing within the tracts prior to bidding.**

The exact amount of the net leaseable acreage in each tract will not be determined until a bid is received for the tract. Following the sale, DO&G 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 clouded by title claims will be excluded from the leased area.

State/ASRC Acreage

The State and Arctic Slope Regional Corporation (ASRC) executed a Settlement Agreement in 1991. In that agreement, the State and ASRC agreed to joint ownership for the purposes of oil and gas leasing within the settlement area. The boundary of the State/ASRC Settlement Agreement is shown on the regional tract map for NS 2009. Any tracts containing jointly-owned acreage determined to be available as of September 8, 2009 will be included in the NS 2009 sale.

State/ASRC tracts 918, 921, 924, and 927 appear to contain acreage that is not currently under lease.

Tract Deletions and Deferrals

DNR has deferred all or a portion of Tracts 925, 936, 1145, and 1146 from NS 2009. All or a portion of the unleased acreage within these tracts is not fully conveyed under the State/ASRC Settlement Agreement. DO&G is actively working to resolve the title issues in order to offer this acreage in a future lease sale.

DNR has deferred all unleased acreage in Tracts 734, 743, 744, 890 thru 892, 898 thru 904, and 907 thru 916 in the Point Thomson and surrounding area. These tracts will not be offered for lease in this sale, but may be included in future lease sales.

The State reserves the right to delete or defer any additional acreage or tracts from the sale at any time prior to issuance of the lease.

Best Interest Finding and ACMP Consistency Determination

NS 2009 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 acreage that has 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 a North Slope areawide lease sale, on July 15, 2008, the Director of DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) which set forth the facts, policies, and applicable laws upon which he based his determination that oil and gas lease sales on the North Slope of Alaska will best serve the interests of the State. In addition, a final coastal zone consistency determination was made that oil and gas lease sales are consistent with the North Slope Borough and Alaska Coastal Management Programs (ACMP). The North Slope Areawide Final Best Interest Finding is available on the division's website at <http://www.dog.dnr.state.ak.us> and at the locations listed under Sale Information below. See the decision for appeal procedures and deadlines.

On March 3, 2009, DO&G issued a Call for New Information for North Slope Areawide 2009 Oil and Gas Lease Sale. DO&G requested any new information subsequent to publication of the July 15, 2008 finding. Based upon the information received in response to the 2009 call for new information, ADNDR has issued a Decision of No Substantial New Information, which is available on DO&G's website and at the locations listed under Sale Information below.

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 required 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 operation, exploration and development and other permits. DO&G will review the 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.

In addition, some proposed lease activities may be subject to local land use regulations.

Notice to Bidders: Potential lessees are advised that the polar bear is a candidate for listing under the Endangered Species Act (ESA). If the polar bear becomes listed under the ESA, section 7, consultation with the U.S. Fish and Wildlife Service (USFWS) may be required prior to initiation of activities in the lease sale

area. In addition, DNR may impose additional mitigation measures or restrictions on relevant tracts to minimize impacts to polar bears in accordance with the law. The state encourages lessees to participate in the USFWS Incidental Take program for nearshore and coastal exploration, development and production.

Bidding Method

On all State and State/ASRC tracts – 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.

Primary Term of Lease

All tracts north of NS royalty line – seven (7) years.

All tracts south of NS royalty line – ten (10) years.

Royalty Rates

All tracts north of NS royalty line – a fixed royalty rate of sixteen and two-thirds percent (16.66667%).

All tracts south of NS royalty line – a fixed royalty rate of twelve and one-half percent (12.5%).

Lease Forms

Leases will be executed on Competitive Oil and Gas Lease Form # DO&G 200604 (rev. 3/2009) and DO&G 200604AS (rev. 3/2009). The lease form has been revised to correct a typographical error in paragraph 36(b) and 35(b) for DO&G 200604AS (rev. 3/2009, and to modify the Royalty in Kind provisions in paragraph 38(a), (c) and (e) and 37(a), (c) and (e) for DO&G 200604AS (rev. 3/2009). The sample lease form is located on the DO&G web site at <http://www.dog.dnr.state.ak.us/oil/programs/leasing/leaseadmin/leasead.in.htm>.

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 and supplements 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. The regional tract map will also be available at these locations.

Complete details regarding NS 2009, including the following documents, are on the DO&G's website at <http://www.dog.dnr.state.ak.us/>

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated acreage figures (Attachment A)
- Bid Form
- Final Finding (2008)
- Decision of Substantial New Information (July 2009)
- Regional tract map (September 2009)

Paper copies of these documents are available by contacting Jennifer Haines, DNR, Division of Oil and Gas, 550 West 7th Avenue, Suite 800, Anchorage, Alaska 99501-3560, phone (907) 375-8247 or email jennifer.haines@alaska.gov.

The State of Alaska, DNR, Division of Oil and Gas 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 Jennifer Haines at (907) 375-8247 to make any necessary arrangements.



Kevin R. Banks,
Director