

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

*DIVISION OF OIL & GAS*

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## SALE ANNOUNCEMENT

### NORTH SLOPE AREAWIDE 2010 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 North Slope Areawide 2010 Oil and Gas Lease Sale (NS 2010 sale). The NS 2010 sale will be held in Anchorage beginning at **9:00 a.m., October 27, 2010** in the auditorium of the Anchorage Museum at Rasmuson Center, located at 625 C Street in Anchorage. Please note the location change.

The North Slope Areawide sale area encompasses 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 on the east and the Colville River and National Petroleum Reserve-Alaska 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. The sale area contains acreage owned by the State of Alaska (state) and Arctic Slope Regional Corporation (ASRC). Activities resulting from this sale may affect the communities of Barrow, Nuiqsut, and Kaktovik, and Deadhorse.

The 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 and ASRC that were available before September 1, 2010 may be leased in the NS 2010 sale. Lands that are conveyed to the state or that become available on or after that date may 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 unless a bid is received for the tract. Following the sale, the 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 ASRC executed a Settlement Agreement in 1991 (State/ASRC Settlement Agreement). 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 the NS 2010 sale. Any tracts containing jointly

owned acreage determined to be available before September 1, 2010 will be included in the NS 2010 sale.

### **Tract Deletions and Deferrals**

The ADNR has deferred Tracts 925, 936, 1145, and 1146 from the NS 2010 sale. All or a portion of the unleased acreage within these tracts is not fully conveyed under the State/ASRC Settlement Agreement. The DO&G is actively working to resolve the title issues in order to offer this acreage in a future lease sale.

The ADNR 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 Alaska Coastal Management Program (ACMP)**

#### **Consistency Determination**

The NS 2010 sale is an exempt sale held under Alaska Statutes (AS) 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 leasing 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. If the director determines that a supplement to the most recent best interest finding is required, the director shall issue the supplement no later than 90 days before the sale.

In support of a North Slope Areawide lease sale, the director of the DO&G issued a written final finding and decision under AS 38.05.035(e) and (g) on July 15, 2008. The decision set forth the facts, policies, and applicable laws upon which a determination was made 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 ACMP. The North Slope Areawide final best interest finding is available on the DO&G website at [www.dog.dnr.alaska.gov/oil](http://www.dog.dnr.alaska.gov/oil), at the DO&G office in Anchorage, and at the locations listed under [Sale Information](#) below.

#### **Decision of Substantial New Information**

On April 22, 2010, the DO&G issued a Call for New Information for the NS 2010 sale. The DO&G requested any new information subsequent to publication of the July 15, 2008 finding. Based upon the information received in response to the 2010 Call for New Information, the ADNR has issued a Decision of Substantial New Information and Supplement to the 2008 final finding. It is available on the DO&G website and at the DO&G office in Anchorage.

#### **Mitigation Measures**

AS 38.05.035(e) and the departmental delegation of authority give the director of the 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 in effect 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. The DO&G will condition plans of operation, exploration, and other permits based on these mitigation measures. The DO&G will review the plans for consistency with the ACMP under Alaska Administrative Codes (AAC)

11 AAC 110, 112, and 114. The lessee must obtain all the necessary federal, state, and local permits and approvals required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process and the ACMP review process.

### **Notice to Bidders**

Polar bears were listed as threatened under the federal Endangered Species Act in 2008. The state has challenged the listing. On October 22, 2009, the U.S. Fish and Wildlife Service (USFWS) proposed designating over 200,000 square miles in the North Slope and Beaufort Sea areas as critical habitat for polar bears. A final rule concerning critical habitat designation is pending. Mitigation measures and lessee advisories in the final Beaufort Sea best interest finding adequately address polar bears, and the ADNOR may impose additional mitigation measures or restrictions on relevant tracts to minimize impacts to polar bears if necessary. Lessees must adhere to all federal requirements for marine mammals and endangered species, including Section 7 consultations with the USFWS, which may be required prior to initiation of activities in the lease sale area.

### **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.**

### **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).  
Leases on state/ASRC acreage will be executed on Form # DO&G 200604AS (rev. 3/2009).  
A sample lease form is located on the DO&G web site at  
[http://www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample\\_lease.pdf](http://www.dog.dnr.alaska.gov/oil/programs/leasing/leaseadmin/sample_lease.pdf).

### **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. 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 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.

### **Sale Information**

Complete details regarding the NS 2010 sale, including the following documents, are on the DO&G website at [www.dog.dnr.alaska.gov/oil](http://www.dog.dnr.alaska.gov/oil):

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (July 2008) and supplement (July 2010)
- Decision of Substantial New Information (July 2010)
- Regional Tract map (September 1, 2010)

Paper copies of these documents are available for a fee. To order these documents, please contact:

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Copies of the North Slope Areawide final best interest finding and regional tract map have been provided to the following: the Nuiqsut Public Library, the North Slope Borough Library Media Center, the North Slope Borough Offices, the Tuzzy Consortium Library in Barrow, the City of Barrow Municipal Offices, the Kaveolook School Library in Kaktovik, and the Z. J. Loussac Public Library in Anchorage.

The State of Alaska, ADNR, 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 Holly Poydack at (907) 269-8757 or [holly.poydack@alaska.gov](mailto:holly.poydack@alaska.gov) to make any necessary arrangements.



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