

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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SALE ANNOUNCEMENT

NORTH SLOPE FOOTHILLS AREAWIDE 2011 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 Foothills Areawide 2011 Oil and Gas Lease Sale (FH 2011 sale). The FH 2011 sale will be held in Anchorage beginning at **9:00 a.m., December 7, 2011** at the Dena'ina Civic and Convention Center, 600 W. 7th Avenue, Anchorage, Alaska.

The North Slope Foothills Areawide sale area encompasses approximately 7.6 million acres that are divided into 1,347 tracts ranging in size from 1,280 to 5,760 acres. These tracts are located entirely within the North Slope Borough with the Arctic National Wildlife Refuge on the east and the National Petroleum Reserve-Alaska on the west. The northern boundary is the Umiat baseline, and the southern boundary is the Gates of the Arctic National Park and Preserve. Activities resulting from this sale may affect the communities of Anaktuvuk Pass, Barrow, Nuiqsut, Kaktovik, and Deadhorse.

The DO&G has prepared a regional tract map that displays the location of all tracts within the sale area. The tract map reflects federal, state, and ASRC land ownership; it also reflects lands which the state has merely selected or applied for conveyance of title. Certain lands are shown as selected by ASRC but also show a state topfiling selection. A topfiling is a future selection which takes effect when and if the lands become available to the state. Only state-owned lands that will be available before October 15, 2011 may be leased in the FH 2011 sale. Lands that are conveyed to the state or that become available for leasing on or after that date may be offered in a future North Slope Foothills Areawide sale.

Bidders may bid on only one sale tract number per bid form.

The tract map does not show detailed land ownership or land under lease. **Bidders are cautioned to verify state title to acreage within these townships/tracts prior to bidding. Verification of active leases within a township, range, section, and meridian can be found using the right side of the page at the following link:** <http://dnr.alaska.gov/projects/las/lasmenu.cfm>.

The exact amount of net leasable acreage in any 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 Lands

There are no lands jointly owned by the State of Alaska and ASRC included in this sale.

Colville River

On February 2, 1993, the State of Alaska executed Quitclaim Deed No. 1213 – ADL 64098 – (Deed), conveying “all right, title and interest” to that portion of the bed of the Colville River upstream of section 15, T.1S., R.1W, Umiat Meridian to the Bureau of Land Management for subsequent conveyance to ASRC. The Deed was recorded in the Barrow Recording District on March 1, 1993 at Book 66, Pages 844-845 (Document No. 1993-000414-0). The land described in the Deed is not available for lease.

Tract Deletions and Deferrals

No tracts have been deferred from the FH 2011 sale.

Tracts 747 through 754, 1341 through 1347, and 1356 through 1382 have been permanently deleted from the sale area.

The state reserves the right to delete or defer any acreage or tract from the sale at any time prior to issuance of a lease.

Best Interest Finding

The FH 2011 sale is being 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 will issue the supplement not later than 90 days before the sale.

In support of a North Slope Foothills 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 May 26, 2011. The decision set forth the facts, policies, and applicable laws upon which a determination was made that oil and gas lease sales in the North Slope Foothills area will best serve the interests of the state. The North Slope Foothills Areawide final best interest finding is available on the DO&G website at <http://dog.dnr.alaska.gov/>, at the DO&G office in Anchorage, 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 of the DO&G the authority to impose conditions or limitations in addition to those imposed 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 stay 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 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.

Bidding Method

Cash bonus bidding on all tracts with a minimum bid of \$10.00/acre.

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.

Royalty Rate

All tracts will have a fixed royalty rate of twelve and one-half percent (12.5%).

Primary Term of Lease

All tracts will have an initial primary term of ten (10) years.

Lease Form

Leases will be executed on Competitive Oil and Gas Lease Form # DO&G 200604 (rev. 3/2009).

A sample lease form is available on the DO&G website at

<http://dog.dnr.alaska.gov/Leasing/LeaseSales.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. 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 FH 2011 sale, including the following documents, are on the DO&G website at <http://dog.dnr.alaska.gov/>:

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (May 2011)
- Regional Tract Map

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 Foothills 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 Anaktuvuk Pass Mayor's Office, 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 to make any necessary arrangements.



W. C. Barron,
Director