



August 9, 2013

Phone: (907) 375-8259

**SALE ANNOUNCEMENT
NORTH SLOPE FOOTHILLS AREAWIDE 2013
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 2013 Oil and Gas Lease Sale (FH 2013 sale).

Bid acceptance will be 9:00 a.m. to 4:00 p.m. on November 4, 2013, at 550 West 7th. Ave., Suite 800, Anchorage.

Bid opening will begin at 9:00 a.m. on November 6, 2013, at the Dena'ina Civic and Convention Center, located at 600 W. 7th Avenue, Anchorage.

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 an Attachment A that lists the tracts, minimum bid per acre, royalty rate to the state, and the primary term of the lease. The Attachment A is available on the division's website: <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm#nslopefh>. Bidder's should read the "Instructions to Bidders" and Attachment A completely before preparing and submitting a bid(s).

The DO&G will prepare a regional tract map that displays the location of all tracts within the lease sale area. Only state-owned lands by the state that will be available before **September 8, 2013** may be leased in the FH 2013 lease 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 lease sale.

The regional tract map will 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. 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 regional tract map will not be released until after September 15, 2013.**

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

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, clouded by title claims, subject to pending litigation, or otherwise determined to be unavailable for leasing will not be leased.

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 2013 sale.

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

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. Bids will not be accepted on deferred or deleted tracts and will not be opened. Please check the Attachment A at <http://dog.dnr.alaska.gov/Leasing/PreviousSales.htm#nslopefh> for updates to the deferred list.

Best Interest Finding

The FH 2013 sale is being held under Alaska Statutes (AS) 38.05.180(d)(1) and 38.05.035(e)(6)(F). Under these provisions DO&G 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 DO&G determines that substantial new information has become available that justifies a supplement to the finding. If DO&G determines that a supplement to the most recent best interest finding is required, DO&G will issue the supplement not later than 90 days before the sale.

In support of a North Slope Foothills Areawide lease sale, 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/Leasing/BestInterestFindings.htm#nslopefh>, at the DO&G office in Anchorage, and at the locations listed under Sale Information below.

Decision of No Substantial New Information

On March 22, 2013, the DO&G issued a Call for Substantial New Information for the FH 2013 sale. Based on the information received, the ADNDR issued a Decision of No Substantial New Information on July 1, 2013.

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, and additional restrictions may be imposed through the permitting process. In addition, the lessee must obtain all the necessary federal, state, and local permits and approvals required by law or regulation before conducting the proposed activity.

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.

Primary Term of Lease

All tracts – 10 years.

Royalty Rate

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

Annual 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.

Lease Form

Leases will be executed on Competitive Oil and Gas Lease Form # DOG 201308.

A sample lease form is available on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/LeaseSales.htm>.

Bonding

Before beginning lease operations, an oil and gas lease bond 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 2013 sale, including the following documents, are on the DO&G website at <http://dog.dnr.alaska.gov/Leasing/LeaseSales.htm>:

- Sale Announcement
- Mitigation Measures
- Instructions to Bidders with estimated tract acreage figures (Attachment A)
- Bid Form
- Final Finding (May 2011)
- Decision of No New Information (July 2012, July 2013)
- Regional Tract Map (**Available after September 15, 2013**)

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 Allen R. Eddy Jr. at (907) 375-8259 or allen.eddy@alaska.gov to make any necessary arrangements.

A handwritten signature in black ink, appearing to read 'W. C. Barron', with a stylized flourish at the end.

W. C. Barron,
Director