

# FIVE-YEAR OIL AND GAS LEASING PROGRAM JANUARY 1983



**STATE OF  
ALASKA**

**DEPARTMENT OF  
NATURAL RESOURCES**

**DIVISION OF MINERALS  
AND ENERGY MANAGEMENT**

**STATE OF ALASKA**

**FIVE-YEAR OIL AND  
GAS LEASING PROGRAM**

Bill Sheffield  
Governor

Esther Wunnicke  
Commissioner  
Department of Natural Resources

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## INTRODUCTION

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Title 38 of the Alaska Statutes, Public Lands, charges the Department of Natural Resources with primary responsibility for management of the State of Alaska's subsurface hydrocarbon and mineral resources.

In 1978, the Tenth Alaska Legislature made major amendments to Title 38. The amendments included a requirement that the Commissioner of Natural Resources submit to the Legislature each year a five-year schedule for the leasing of state land for oil and gas exploration.

This is the sixth document to be produced pursuant to AS 38.05.180, as amended. The 1983 edition includes discussions of state leasing strategy, revenue projections and state leasing policy, resource evaluation, the leasing process, a comparison of state and federal lease schedules, geological descriptions of the major geologic basins where lease sales are proposed, descriptions of the proposed lease areas, exploration incentive credits, and the results from the sales held in 1982. The appendices include a description of the origin of hydrocarbons, final notices from sales held in 1982, the department's list of standard mitigating measures for seismic exploration, copies of the comments received on the proposed 1987 additions to the leasing program, a map illustrating Arctic Slope oil and gas development, the Activity/Issues Matrix for North Slope Projects, and procedures for implementation of the Beaufort Sea seasonal drilling restrictions and a current lease form.

The Department is considering extending the eligibility of exploration incentive credits to include geophysical data. Details of the proposal are presented on page 70. Public comments are being solicited. Comments must be received by March 1, 1982.

Five lease sales were held in 1982, bringing to ten the number conducted by the Department of Natural Resources since the institution of the five-year leasing program in 1979. Sales held since 1979 include: Copper River (Sale 29B); Beaufort Sea (Sale 30); Prudhoe Bay exempt acreage (Sale 31); Upper Cook Inlet and Susitna Valley (Sale 33); Kenai Peninsula exempt acreage (Sale 32); Lower Cook Inlet (Sale 35); Beaufort Sea (Sale 36); Middle Tanana and Copper River (Sale 37); Chakok River exempt acreage (Sale 37A); and Prudhoe Bay Uplands (Sale 34). A summary of all state competitive lease sales held since 1950 is presented on Table 11, page 109.

A current inventory of leases is found in Table 12, page 112. The table lists the total acreage under lease and the numbers of producing leases. In addition, the number of net profit share leases, segregated leases, and unitized leases are tabulated. Finally, a summary of the numbers of competitive, non-competitive and conditional leases is provided.

A publication containing applicable statutes and new and revised regulations for oil, gas and geothermal resources will be released by the department in March.



A new addition to the Annual Leasing Report this year is the Arctic Slope Oil and Gas Development Map which is being distributed with this document. The map illustrates, in detail, current oil and gas projects occurring on the north slope.

One of the major purposes of establishing a five-year petroleum leasing schedule is to provide a plan to facilitate the orderly assessment and development of Alaska petroleum resources. All Alaskans, including local citizens and governments, environmental groups, the oil and gas industry, and the business sector, benefit from a fixed and predictable leasing program. An established leasing schedule permits the public to comment on the areas where leasing is planned, allows business and labor to plan employment or business opportunities, permits the petroleum industry to allocate a portion of its resources to Alaska petroleum exploration and development, and provides local, state and federal governments with adequate time for presale evaluation, assessment and mitigation of impacts.

This document fulfills the following statutory requirements:

AS 38.05.180(b) The Commissioner shall annually prepare and submit to the Legislature, between the first and the 15th day of each regular legislative session, a five-year proposed oil and gas leasing program consisting of a schedule of proposed lease sales and specifying as precisely as practicable the location of tracts proposed to be offered for oil and gas leasing during the calendar year in which the proposed program is submitted to the Legislature and the following four calendar years.

AS 38.04.180(e) Simultaneously with submission of the leasing program required under (b) of this section, the Commissioner shall submit to the Legislature a report containing the following:

- (1) the schedule of all lease sales held during the preceding calendar year, the bidding method or methods utilized, and an analysis of the results of the bidding; (2) if determined, a description of the bidding methods to be used for all lease sales to be held during the current and next two succeeding calendar years; (3) the reasons a particular bidding method has been selected.

## STATE OF ALASKA LEASING STRATEGY

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The State of Alaska seeks to achieve certain objectives in its leasing activities. Some of these objectives can be pursued independently of the rest. Some are complementary in that by achieving one the state enhances its ability to achieve or maximize others. However, some objectives are in conflict, thus their maximization represents a balance or compromise. The objectives of the State oil and gas leasing program are:

1. To adhere to an oil and gas leasing program, as required by state statute, that is predictable and dependable, so that the petroleum industry, the public, and the federal and state governments may efficiently plan oil and gas related activities and fiscal expenditures.
2. To coordinate leasing with nearby owners of subsurface rights, particularly the federal government, so that: (1) state-wide oil, gas and coal leasing activities are cohesive regardless of land ownership; (2) geologic and environmental data may be shared if possible; (3) drainage of commonly owned petroleum reservoirs may be equitable; and (4) oil, gas, coal and other mineral exploration and development may continue while ownership disputes are being resolved.
3. To collect resource information adequate to estimate a fair return to the state when developing leasing procedures and terms of sales and for long-term fiscal planning.
4. To obtain the maximum economic return to the State and its citizens from the sale of state-owned oil and gas resources by using an optimal mix of bidding methods and by encouraging competition.
5. To lease first in the most prospective areas and near areas in which development has been or is taking place so that potential additional development may take advantage of existing facilities wherever possible.
6. To maintain access to promising oil, gas and coal areas by reserving access corridors and by avoiding commitments to incompatible surface uses in key transportation corridors.
7. To avoid hindering development or placing an undue burden on industry, by simplifying necessary regulations so they are fair and effective.
8. To work with local citizens, local governments, special interest groups, and other government agencies when selecting areas for leasing, designing lease sales, and when approving permits.
9. To encourage the petroleum industry to provide local training programs and to hire local people for available jobs.
10. To protect the integrity of affected cultures, the environment, and fish and wildlife resources through plans of operations, lease and permit stipulations, and comprehensive monitoring operations.

## REVENUE PROJECTIONS AND LEASING POLICY

The Five-Year Leasing Schedule is developed within a framework of private and public fiscal considerations. Although it is impossible to accurately forecast future state revenue requirements and future hydrocarbon developments, it is worthwhile to look at projected revenue streams from existing reservoirs and determine the magnitude and timing of future discoveries that would be needed to maintain an adequate level of state revenues.

Figure 1 and Table 1 contain the most recent revenue forecast from the Department of Revenue as of September 1982.

North Slope oil production is predicted to be 1.673 million barrels per day in fiscal year 1984 (FY 84). Production from the Kuparuk, Milne Point and fields in the vicinity of the Canning River is expected to increase this volume to a daily production average of 1.830 million barrels per day by FY 89. Subsequently production is projected to decline to .755 million barrels per day by FY 98.

During the decline period (after FY 89), production from the Canning River area, Flaxman Island, Point Thomson and Beaufort Sea are melded into the forecast production values. Although these values are relatively small (approximately .150 million barrels per day) they should be treated as highly speculative and subject to substantial revision as further exploration and development ensues.

North Slope gas production is given a 40% chance of beginning by FY 93 and delivering 2.0 billion cubic feet per day to the pipeline through the forecast period. Recent announcements by the pipeline consortium create doubt about the completion date of the pipeline.

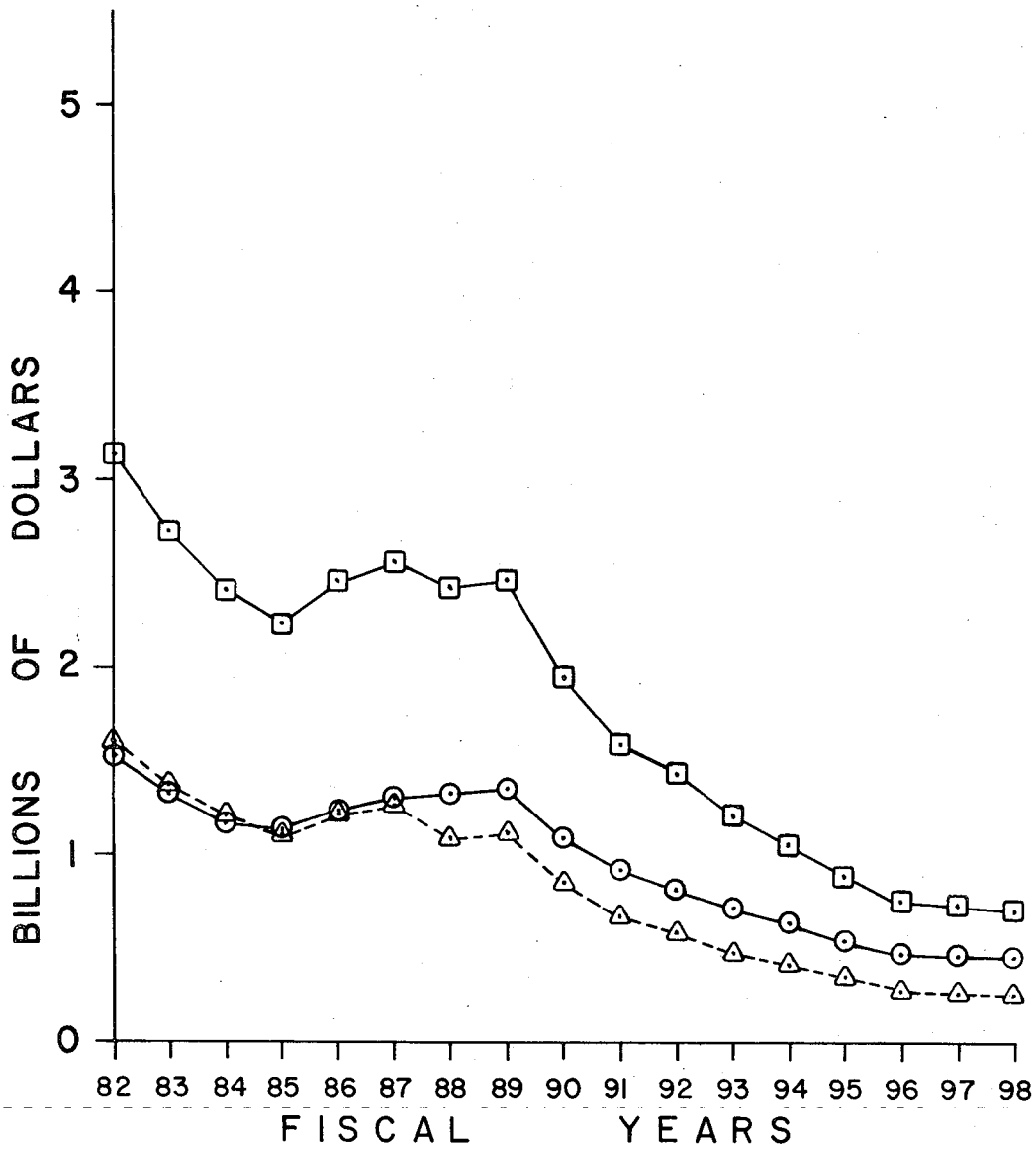
Cook Inlet hydrocarbon production is assumed to make very modest additions to the above figures. Oil production is estimated to decline from a high of approximately .080 million barrels per day in FY 82 to about .014 million barrels per day by FY 97. This corresponds to a 12.2 percent annual decline rate over the forecast period. On the other hand, gas production is expected to increase from .507 billion cubic feet per day in FY 82 to .722 billion cubic feet per day in 1998. These figures include a PAC Alaska demand for .200 billion cubic feet per day beginning in 1984.

The Department of Natural Resources' analysis of North Slope reserves (Table 2) is generally consistent with the Department of Revenue's production assumptions. In addition to the primary reservoir at Prudhoe Bay (billion barrels recoverable reserves remaining), the DNR estimates indicate a likelihood of between 1.7 and 3.9 billion barrels of known reserves on leased state land exclusive of tracts leased in the Beaufort Sea since 1978.

Production estimates are only half of a revenue forecast. The other component is the estimated prices at which the oil may be sold. Oil price forecasting has yet to achieve the status of a true art form, and forecasts beyond a year or so must be treated with a great deal of skepticism, if not disbelief. The reasons for this skepticism are manifold but a short list would include: instability within OPEC among the Hawks and the Moderates, economic

FIGURE 1

# PETROLEUM REVENUE FORECAST (EXPECTED VALUES IN BILLIONS OF 1982 DOLLARS)



## LEGEND

- △ = SEVERANCE
- = ROYALTIES
- = TOTAL

SOURCE: ALASKA DEPT. OF REVENUE, PETROLEUM REVENUE DIVISION,  
QUARTERLY REPORT SEPT. 1982

PETROLEUM PRODUCTION REVENUE FORECAST  
(Expected Values in Millions of 1982 Dollars)

	Total Severance and Conservation Taxes	Total Royalties	Total Petroleum Revenues
1982	1597.57	1531.39	3128.96
1983	1372.19	1341.71	2713.90
1984	1216.23	1192.85	2409.08
1985	1111.71	1122.37	2234.08
1986	1212.77	1237.09	2449.86
1987	1265.29	1304.73	2570.02
1988	1093.31	1323.88	2417.19
1989	1115.33	1354.93	2470.26
1990	841.65	1094.86	1936.51
1991	674.82	914.45	1589.27
1992	593.75	832.55	1426.30
1993	485.08	717.76	1202.84
1994	416.22	638.66	1054.88
1995	349.50	545.34	894.84
1996	275.97	480.51	756.48
1997	267.94	462.58	730.52
1998	252.27	447.52	699.79

Source: Alaska Department of Revenue, Petroleum Revenue Division, Quarterly Report, September 1982

instability among major consuming nations, market-oriented conservation serving to reduce long-run dependence upon oil imports, growth in non-OPEC oil production and finally the potential for war and political instability in the Middle East. This latter threat leads to erratic inventory accumulation on the part of consuming countries, and increases the amplitude of oil price fluctuations.

The price and revenue projections presented here are only indicative of behavior that would occur if current relationships built into the forecasting model remain stable and exogenous factors followed projected trends. The probability of this congruence must be regarded as low, hence the numbers should be treated as indicative of long run magnitudes rather than numbers to tie to a planning process.

Inflation is assumed to average roughly 7.7 percent from FY '83 through 1998. At this rate of inflation, prices double approximately every 9 years. Today's \$20.00 barrel of oil could be priced at \$60.85 by 1998 and be worth no more in terms of purchasing power than it is today.

The Department of Revenue's forecast assumes that oil prices rise on average by 7.2 percent per year through 1998. Thus, real prices are assumed to decline moderately throughout the forecast period. The Department of Revenue's price forecast can be viewed as conservative, but prudent.

It is not reasonable to assume, in light of current knowledge, that the current leasing schedule (or any other schedule based on state land holdings) can fully offset the anticipated decline in Prudhoe Bay production. Proven North Slope reserves (state land only) are approximately 9.5 billion barrels of recoverable oil of which about 7 billion remain in the main reservoir at Prudhoe Bay. Production from this reservoir probably will begin to decline during the 1985-87 time period. Initial decline rates of 8 to 12 percent per year are projected. An oil field in the range of 500 million to one billion barrels recoverable reserves would have to be discovered each year to offset the projected decline in production, at least for the first few years of decline.

The likelihood of this decline being fully offset by further discoveries on State land must be considered remote at this time. The State's best remaining prospects are probably in the nearshore (to the three-mile limit) Beaufort Sea and adjacent onshore areas. The Department of Natural Resources has scheduled six sales in the area between now and 1987. Other sales on the schedule must be regarded as moderate to low potential in the light of current knowledge.

The current leasing policy, with increased reliance on contingency payments rather than bonuses, can help mitigate the fiscal problems that will result from the inevitable production decline in Prudhoe Bay. Although greater reliance on contingency payments reduces immediate bonus payments to the state, the financial trade off is the potential for greater revenues in the future.

This conservative view of State reserves should not be interpreted as a denigration of Alaska's potential as an energy supplier (although Alaska is hardly another Saudi Arabia, which has approximately 165 billion barrels of proved reserves). Many of the most promising oil and gas prospects are thought to lie offshore in federal waters or in federal preserves such as the

Arctic National Wildlife Refuge and the National Petroleum Reserve. Even though the State will share in the revenues from onshore Federal reserves, this share will be less than would be the case if the State were the lessor.

It is possible that rising real prices for oil will augment the supply of oil from known reservoirs such that the high range estimates in Table 2 become more likely. Increasing real prices will encourage closer well spacing, improve the economics of secondary and enhanced recovery techniques, and lengthen field life, all of which serve to increase ultimate recovery.

Additionally, rising real oil prices increase the purchasing power of a given supply. One would have to assume, absent additional discoveries, that real oil prices would have to rise at a compound rate of 15 percent per year after the late 1980's to offset the decline in Prudhoe Bay production. The development of alternative fuel sources (coal, nuclear, oil shale, natural gas, solar) and price-induced conservation place long-term limits on oil price increases (although as 1973 and 1979 indicated, substantial real increases are possible in the short run). These factors suggest that oil price increases may be more moderate than the 15 percent (real) per year needed to offset the decline in Prudhoe Bay production, and indicate that the 1990's will begin a period requiring fiscal restraint for the State unless alternative revenue sources are developed. State finances since 1977 have been characterized by wide fluctuations in revenues and expenditures coincident with the vagaries of the world oil market. This suggests the need for state fiscal policies that moderate the impact of these fluctuations and enhance the stability of the state's economy.

This discussion has presented a conservative estimate of future oil revenues. This conservatism is born of prudence as well as an incomplete understanding of the State's hydrocarbon potential. Due to the relatively unexplored status of state land, state agencies presently possess only modest knowledge of Alaska's subsurface geology.

TABLE 2

Proven and Probable Oil Reserves on Currently Leased State Lands  
North Slope, Alaska

AREA	Range of Reserves (millions of barrels)		
	low	most likely	high
Prudhoe Bay Unit Sadlerochit Reservoir (as of 7/31/82)	6170	6950	7340
Sag River Reservoir	100	130	220
North Prudhoe Bay - West Dock Area	50	75	100
Kuparuk River Formation	600	1000	1500
Milne Point Area	30	45	80
Gwydyr Bay Area	50	80	120
Prudhoe Bay Lisburne Reservoir and Sag Delta Area and Duck Island Area	460	650	975
Point Thomson Area and Flaxman Island Area	400	600	900
Totals	7860	9530	11215
Totals (minus Prudhoe Bay)	1690	2580	3875

Note: All estimates as of July, 1982.

Source: Department of Natural Resources  
Division of Minerals and Energy Management



## RESOURCE EVALUATION PROCESS

The following provisions of AS 38.05.180 circumscribe the process leading to selection of a leasing method and sale terms:

- "(a) The legislature finds that
- (1) the people of Alaska have an interest in the development of the state's oil and gas resources to
    - (A) maximize the economic and physical recovery of the resources;
    - (B) maximize competition among parties seeking to explore and develop the resources;
    - (C) maximize use of Alaska's human resources in the development of the resources;
  - (2) it is in the best interests of the state to encourage an assessment of its oil and gas resources and to allow the maximum flexibility in the methods of issuing leases to
    - (A) recognize the many varied geographical regions of the state and the different costs of exploring for oil and gas in these regions;
    - (B) minimize the adverse impact of exploration, development, production, and transportation activity.

\* \* \* \* \*

- (f) Following a presale analysis, the Commissioner may choose at least one of the following leasing methods
- (1) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12 1/2 percent in amount or value of the production removed or sold from the lease;
  - (2) a cash bonus bid with a fixed royalty share reserved to the state of not less than 12 1/2 percent in amount or value of the production removed or sold from the lease and a fixed share of the net profit derived from the lease of not less than 30 percent reserved to the state;
  - (3) a fixed cash bonus with a royalty share reserved to the state as the bid variable but no less than 12 1/2 percent in amount or value of the production removed or sold from the lease;
  - (4) a fixed cash bonus with the share of the net profit derived from the lease reserved to the state as the bid variable;
  - (5) a fixed cash bonus with a fixed royalty share reserved to the state of not less than 12 1/2 percent in amount or value of the production removed or sold from the lease with the share of the net profit derived from the lease reserved to the state as the bid variable;
  - (6) a cash bonus bid with a fixed royalty share reserved to the state based on a sliding scale according to the volume of production or other factor but in no event less than 12 1/2 percent in amount or value of the production removed or sold from the lease;
  - (7) a fixed cash bonus with a royalty share reserved to the state based on a sliding scale according to the volume of production or other factor as the bid variable but not less than 12 1/2 percent in amount or value of the production removed or sold from the lease.

(g) The share of the net profit derived from a lease reserved to the state under (f) of this section is royalty sale proceeds for the purposes of the Alaska permanent fund under AS 37.13.010 and the Alaska renewable resources development fund under AS 37.11.020.

(h) The commissioner may include terms in any oil and gas lease imposing a minimum work commitment on the lessee. These terms shall be made public before the sale, and may include appropriate penalty provisions to take effect in the event the lessee does not fulfill the minimum work commitment. Should it be demonstrated that a lease has been proven unproductive by actions of adjacent lease holders, the commissioner may set aside a work commitment.

(i) The commissioner may provide for the establishment of an exploration incentive credit system under which a lessee of state land drilling an exploratory well on that land may earn credits based upon the footage drilled and the region in which the well is situated. The commissioner may also provide for credits to be earned by persons performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and on land included with the sale area and the geophysical information is made public following the sale. Credits may not exceed 50 percent of the cost of the drilling or geophysical work. Credits may be used during a limited period established by the commissioner and may be assigned during that period. Credits may be applied against (1) oil and gas royalty and rental payments payable to the state; or (2) taxes payable under AS 43.55. No credit may exceed 50 percent of the payment toward which it is being applied. Amounts due the Alaska permanent fund (AS 37.10.065) and the Alaska renewable resources development fund (AS 37.11.020) shall be calculated before the application of credits under this subsection.

\* \* \* \* \*

(k) The commissioner shall define all terms and adopt all regulations necessary for a reasonable understanding and evaluation of a particular bidding method before the public announcement of the terms of the proposed sale employing that method."

The law requires that the Department of Natural Resources thoroughly assess the influence of bidding methods and lease terms prior to a given sale. The end result of this effort is a set of terms and bidding methods tailored to the department's assessment of the geological potential and operating environment of a particular area.

An assessment of potential hydrocarbon resources requires knowledge of the area's subsurface geology as well as economic data concerning prices and costs. The Division of Geologic and Geophysical Surveys (DGGs) provides the Division of Minerals and Energy Management with a probabilistic assessment of the quantity, quality and location of hydrocarbons present in a given sale area. These estimates are based upon seismic information; hence, they must be regarded as speculative in nature. Once a probability distribution of the magnitude of potential reserves, if any, is derived, it is possible to proceed with a meaningful economic evaluation of the sale area including specific tracts which are determined to overlie potential reserves.

The reservoir parameters provided by DGGS are used as inputs into a Monte Carlo program that samples from a triangular distribution. This program contains a random sampling technique that samples from various probability distributions with given parameters. The parameters in the case of the triangular distribution are the high, low and most likely values. For other statistical probability distributions the mean and standard deviations or given probability levels, such as the 95 percent and 5 percent levels would be sufficient to define a range of probable outcomes from which the program could sample. Table 3 represents program output for a hypothetical field.

The program generates two sets of values. The first set of values are the results to be expected per exploratory attempt. This expected value is derived by sampling the triangular probability distribution some 2000 times. In the hypothetical case presented in Table 3, 2000 exploratory wells generated 191 discoveries. Slightly less than one exploratory well in ten is successful in this case. The average size discovery, summing over successful and unsuccessful attempts, is approximately 157.7 million barrels. This number (value) should be interpreted as the prior expectation for drilling statistically independent prospects with the given parameters.

The second set of values generated by the program define the likely size of the prospect, provided a discovery is made. In this example the average discovery is about 1.65 billion barrels. Subsequent economic modelling and analysis of the prospect would be based on a prospect of this size.

The final result of this evaluation process is a range of estimates of the expected present value or market value of the tracts. These tract specific market values are examined to determine their respective sensitivities under all bidding systems and a wide array of subsidiary lease terms, such as length of lease, work commitments, tract sizes and exploration incentive credits. This evaluation process leads to the selection of bidding methods and lease terms that best protect and enhance the state's fiscal and environmental interests.

The economic evaluation model used by DMEM is a discounted cash flow model similar to those used by industry for prospect evaluation. In simple terms the model takes a series of estimated future cash flows (both negative and positive) and discounts them at a specified interest rate to arrive at a present value. This present value serves as an estimate of the market value of the acreage being leased.

The data requirements of the model are both geologic and economic. Among other things, the geologic parameter estimates deal with the possible size of the prospects, the quality of the reservoir(s) at the prospect location and the actual probabilities of hydrocarbons being present in the quantities and of the quality anticipated. From these data, potential reserves are calculated. The reserve estimates are then used to construct the basic economic model. Production rates and facilities requirements are derived directly from the estimates of potential reservoir size, quality and depth.

The basic economic parameters include: estimated facilities costs (including number of wells), estimated operating costs (usually expressed on a per barrel or per mcf basis), estimated state and federal taxes (as a percentage of income or revenue), and estimated product prices. The cost and revenue estimates are calculated for the average size prospect, assuming hydrocarbons

## HYPOTHETICAL RESERVES DISTRIBUTION

MONTE CARLO RESULTS:	FIRST WELL	DEV. WELLS	ALL WELLS
ATTEMPTS	2000.	22283.	24283.
HITS	191.	22050.	22241.
MISSES	1809.	233.	2042.
SUCCESS RATIO %	9.5	99.0	91.6

## AVERAGE RESULTS TO BE EXPECTED PER ATTEMPT:

NO. OF PRODUCERS	0.10	11.02	11.12
NET PAY, FT.	26.1	26.5	26.5
RESERVES, BBL	1319492.	156369124.	157688616.

## AVERAGE RESULTS TO EXPECTED PER HIT:

NO. OF PRODUCERS	1.00	115.45	116.45
NET PAY, FT.	273.0	277.9	277.8
PRODUCTIVE ACRES	160.0	18423.2	18583.2
RESERVES, BBL	13816672.	1637373024.	1651189696.

## DISTRIBUTION OF RESERVES AND RATE VALUES:

CHANCE*	NO. OF WELLS	RESERVES GROSS-BBL	INITIAL RATE-BBL/D	ALLOWABLE BBL/D
90.4	0.	0.		
0.7	32.07	311660404.	32071.43	32071.43
1.7	74.30	418115016.	74303.03	74303.03
1.9	103.44	1139460752.	103435.90	103435.90
1.6	122.22	1576099120.	122218.75	122218.75
1.3	138.58	1964874240.	138576.92	138576.92
1.0	144.89	2508863008.	144894.74	144894.74
0.7	167.00	2922002720.	167000.00	167000.00
0.2	205.00	3336399584.	205000.00	205000.00
0.5	190.44	4056809312.	190444.45	190444.45

MINIMUM PAY REQUIRED TO SET PIPE, FT. 100.0

\*CHANCE OF OCCURRENCE OF RESERVE CATEGORY

are present. Revenues and costs are projected over the life of the prospect, then discounted (at a rate selected by the program user back to time zero, the point of initial expenditure.) This "riskless" discounted cash flow provides the basis for all subsequent analysis.

The model initially derives the internal rate of return (ROR) for the cash flow. The ROR is defined as the discount rate which reduces the sum of all cash flows to zero. Mathematically it can be solved from the following equation:

$$\text{ROR} = -I_0 + \frac{R_1}{1+r} + \frac{R_2}{(1+r)^2} + \dots + \frac{R_N}{(1+r)^N} = 0$$

Where  $I_0$  = Initial investment in year zero.

$R_1, \dots, R_N$  = Net Revenue (gross revenues - operating cost)  
in years one through N.

$r$  = discount rate

$\geq$  = greater than or equal to

The ROR is the value of  $r$  ( $r \geq 0$ ) that reduces the above equation to zero. Or it can be alternately expressed as the value of  $r$  ( $r \geq 0$ ) that reduces the value of the positive cash flows ( $R_1, \dots, R_N$ ) to equal negative cash flow(s)  $I_0$ .

For example, assume the following:

$I_0$  = initial well cost of \$500 spent on January 1st.

$R$  = \$200 per year

Five year life for project

All revenues received on 31st of December of each year (simplifies discounting)

$$-\$500 + \frac{\$200}{1.285} + \frac{\$200}{(1.285)^2} + \frac{\$200}{(1.285)^3} + \frac{\$200}{(1.285)^4} + \frac{\$200}{(1.285)^5} = 0$$

Thus  $r = .285$  or 28.5%. This is the ROR for the project.

Simultaneously with the computation of the ROR, the program computes the net present value of the discounted cash flow at a specified interest rate. This calculation can be made on a before federal income tax (BFIT) or after tax (AFIT) basis. This latter value represents the estimated market value of the asset.

The net present value of any prospect is the residual value (positive or negative) of a series of positive and negative cash flows discounted at some specified discount rate ( $r$ ). This discount rate usually represents the average borrowing or reinvestment rate of the firm. Thus, the NPV represents the firm's valuation of a prospect at the market or opportunity rate of interest. Given this rate of interest, the firm can compare alternative prospects/projects with the goals of: 1) selecting projects with the highest NPV and 2) maximizing the present value of a given investment strategy.

The net present value is specified as:

$$NPV = -I_0 + \frac{R_1}{1+r} + \frac{R_2}{(1+r)^2} + \dots + \frac{R_N}{(1+r)^N}$$

All definitions are the same as before except that  $r$  is fixed at a predetermined rate.

Assuming  $r$  is 10% then:

$$\begin{aligned} NPV &= -\$500 + \frac{\$200}{1.10} + \frac{\$200}{(1.10)^2} + \frac{\$200}{(1.10)^3} + \frac{\$200}{(1.10)^4} + \frac{\$200}{(1.10)^5} \\ &= -\$500 + \$758 \\ &= \$258 \end{aligned}$$

At higher discount rates the NPV declines. For example, at 15% the NPV is \$170 falling to \$98 when the discount rate is increased to 20%. The NPV is zero at a discount rate of 28.5% and becomes negative at higher rates.

The characteristics of the NPV and ROR should be elaborated on before proceeding with a further delineation of the model. Both measures, if used carefully, provide important information regarding the estimated value of a prospect. This estimated value can then be used to evaluate potential bids and subsequently to project estimated state revenues.

The NPV is independent of the absolute size of cashflows and can take on negative values. A negative value indicates that a project's ROR is less than the discount rate used to evaluate the prospect, whereas a positive value indicates a ROR greater than the discount rate used for evaluation.

As mentioned previously, the rate of return (ROR) is defined as the discount rate ( $r \geq 0$ ) that equates the sum of the positive cash flows with the sum of the negative cash flows. The ROR is independent of the absolute magnitudes of the cash flows, it is only affected by their relative magnitudes and their timing. A proportional change in all cash flows leaves the basic prospect profitability unchanged.

Timing is important because the discounting process attaches more weight to near term events than to actions distant in time. This occurs because the discount factor is in the denominator of each term and the denominator compounds at a rate  $1+r$  over time. This weighting characteristic means that ROR calculations are very sensitive to errors in estimating initial investments and early positive cash flows.

There are circumstances where a prospect can have more than one ROR. This occurs when cash flow patterns oscillate from negative to positive. If there is more than one sign reversal in a cash flow pattern, it is possible to have more than one discount rate that satisfies the definition of ROR. In this situation the prospect's ROR is indeterminate.

In addition, there are circumstances where the ROR cannot be computed. If cash flows are all negative or all positive, there is no discount rate satisfying the definition of ROR. Secondly, if the sum of undiscounted positive cash flows is less than the sum of undiscounted investment, no ROR calculation is possible.

The use of ROR calculations to evaluate project profitability requires one extremely strong assumption, that is, that funds generated by the prospect can be reinvested at the computed ROR. This situation is unlikely.

Finally, risk is not easily incorporated into the concept. One cannot say that a 50 percent chance of a ROR of 30 percent is a risk weighted ROR of 15 percent. Risk affects costs and revenues asymmetrically, hence influencing the ROR in a non-proportional manner.

Risk can be incorporated into the ROR calculation by defining well investments as follows:

$$I = C_o + \frac{(1-p)C_d}{p}$$

Where

I = total investment in wells  
C<sub>d</sub> = Dryhole cost  
C<sub>o</sub> = producing well cost  
p = probability of success  
1-p = dryhole risk

For example, suppose a dry hole costs \$2 million and a successful completion costs \$2.5 million. Given a probability of success of 10% the new investment equals:

$$\begin{aligned} I &= \$2.5 \text{ million} + \$2.0 \text{ million} \left( \frac{1-.1}{.1} \right) \\ &= \$2.5 \text{ million} + \$2.0 \text{ million} \times 9 \\ &= \$20.5 \text{ million} \end{aligned}$$

This risk-weighted pseudo investment implies that drilling prospects with a 10% chance of success will, over time, require nine dry holes for each successful well, or an average investment of \$20.5 million per success.

The model employed by the state uses a variation of this specification. The dry hole/success ratio is defined as 1-p/p. This ratio multiplies all dry hole costs (bonus, pre-exploration costs, exploratory well costs) to arrive at a risk-weighted pseudo investment figure. This figure represents the average unsuccessful investments per success over a large number of trials.

Therefore, the investment function is:

$$I = [1-p/p (\text{dry hole costs}) + (\text{costs associated with success})].p$$

This approach also has limitations. First, it considers only two outcomes (success, failure, at a given risk), when, in fact, there is a family of possible outcomes. (The model can be modified to overcome this limitation.) Secondly, if the pseudo investment exceeds the sum of future positive cash flows, then the ROR cannot be computed.

These shortcomings can be overcome by shifting the analysis to an expected net present value (ENPV) approach. This approach correctly risks the net present value of a prospect as:

$$ENPV = p [I_s + I_d \frac{1-p}{p}](-1) + p \left[ \frac{R_1}{1+r} + \frac{R_2}{(1+r)^2} + \dots + \frac{R_N}{(1+r)^N} \right]$$

Where

ENPV	= expected net present value
$I_d$	= all dry hole costs including bonus and pre-exploration expenses.
$I_s$	= successful well costs (including development wells and ancillary facilities)
$R_1, R_2, \dots, R_N$	= Net revenues (AFIT basis). i.e. after federal income taxes
$p$	= Probability of success

This expected value should not be interpreted as an estimate of the most likely value of the prospect or tract. It represents the average gain or loss per decision to develop prospects or tracts of a given quality over a large number of trials. Expected values should be interpreted as average results generated over a large number of independent trials. A profit maximizing strategy involves selecting prospects that maximize the expected present value of decisions involving choices among alternative courses of action.

Tables 4 and 5 provide the basic economic estimates for a hypothetical 1.4 billion barrel prospect that has been assigned a 10 percent chance of success. The prospect will require two \$30 million exploratory wells. All cost and revenue streams (1982\$) other than the exploratory well costs have been multiplied by .10 (i.e. you can't drill 10 percent of an exploratory well but everything subsequent is probabilistic).

Table 4 illustrates the before tax (BFIT) economics given a \$20 per barrel price for oil, 12.5 percent royalty and a severance tax of 12.25 percent. The rate of return, net of inflation of 21.30 percent, indicates the prospect has promise and merits further economic analysis.

Table 5 presents the analysis, net of state and federal taxes (AFIT). This additional refinement of the economic analysis indicates the prospect has almost a 19 percent return after taxes.

The model is designed to replicate the private decision-making process in estimating anticipated bids. The model can be used to estimate bonus, royalty or net profit share bids. The basic estimation process works in the following manner. First, the prospect geological parameters are used to scale the field model. This model is then risked to represent the likelihood of hydrocarbons being found in anticipated quantities. Secondly, industry target real rates of return are specified. Therefore, if one wants to solve for the bonus as the bid variable with a fixed royalty, it is necessary to vary the bonus amount until the ROR achieves the target levels. This provides a range of possible bids. These bids represent the after tax net present value (ATNPV) of the prospect.



If royalty bidding is the option to be investigated, the bonus is fixed and royalty rates are varied until the specified RORs are achieved. The same process is used to determine net profit share bids, except that both bonuses and royalties are fixed with the profit share being varied until target rates of return are derived.

The bid values consistent with the specified RORs are then used as input values into another program. This program estimates state income from taxes and bid variables, then provides a table of present values of this income from a zero to 100 percent discount rate. These present value tables can then be used to compare the income to the state from various bidding systems.

Depending upon the selection of a discount rate to value state income as well as assumptions about levels of competition, different bidding systems appear preferable from the standpoint of maximizing the expected present value of income to the State. Generally speaking, the lower the discount rate, the better the relative performance of the contingency bidding systems. This is so because the lower discount rates attach relatively higher weights to future income as opposed to present income. Once the state's discount rate exceeds a certain real level, bonus bidding appears superior from a value maximization standpoint, other things being equal.

There are limitations on the model that require some caution in interpreting the results of any analysis. The effect of high royalties on field investments and the production profile is not modeled. There is no explicit feedback mechanism that rescales investments downward as royalties rise, even though rescaling is a theoretical expectation. This means the model overstates the relative gains from royalty bidding because the production profile is not lengthened and total production reduced. For any given quantity of recoverable oil, lengthening the period of production lowers its present value, other things being equal. The bias in royalty bidding versus other bidding systems probably becomes more pronounced as royalty rates exceed 50 percent.

TABLE 4

## BEFORE TAX ECONOMICS

## 1.4 Billion Barrel Field

											10.000 PCT
END	GROSS OIL	GROSS GAS	OIL TO NET	GAS TO NET	REVENUE TO	NET	NET OPER	NET INCOME	CUMULATIVE	CUM. DISC	
MO-YR	PRODUCTION	PRODUCTION	INTEREST	INTEREST	INTEREST	INVESTMENT	EXPENSES	BEFORE FIT	NET INCOME	NET INCOME	
	MB	MHF	MB	MHF	M\$	M\$	M\$	M\$	M\$	M\$	
8-83	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.	
8-84	0.	0.	0.	0.	0.	30000.	0.	-30000.	-30000.	-24564.	
8-85	0.	0.	0.	0.	0.	30000.	0.	-30000.	-60000.	-46792.	
8-86	0.	0.	0.	0.	0.	2646.	0.	-2646.	-62646.	-48566.	
8-87	0.	0.	0.	0.	0.	2646.	0.	-2646.	-65292.	-50172.	
8-88	0.	0.	0.	0.	0.	48154.	0.	-48154.	-113446.	-76607.	
8-89	0.	0.	0.	0.	0.	96314.	0.	-96314.	-209760.	-124453.	
8-90	5100.	0.	4463.	0.	78317.	147840.	9923.	-79446.	-289206.	-158576.	
8-91	8500.	0.	7438.	0.	130528.	96314.	10187.	24027.	-265179.	-146273.	
8-92	10210.	0.	8934.	0.	156787.	48154.	1429.	107205.	-157974.	-103859.	
8-93	10310.	0.	9021.	0.	158323.	24079.	15479.	118765.	-39209.	-61844.	
8-94	10310.	0.	9021.	0.	158323.	24079.	16141.	118104.	78895.	-24035.	
8-95	10310.	0.	9021.	0.	158323.	0.	17067.	141256.	220151.	16478.	
8-96	10310.	0.	9021.	0.	158323.	0.	20639.	137684.	357835.	52211.	
8-97	10310.	0.	9021.	0.	158323.	0.	21565.	136758.	494593.	84327.	
8-98	9700.	0.	8488.	0.	148956.	0.	22094.	126862.	621455.	111286.	
8-99	9310.	0.	8146.	0.	142967.	0.	22226.	120740.	742195.	134504.	
8-00	7950.	0.	6956.	0.	122082.	0.	21300.	100782.	842977.	152040.	
8-01	6800.	0.	5950.	0.	104422.	0.	20374.	84048.	927026.	165273.	
8-02	5860.	0.	5128.	0.	89988.	0.	19713.	70275.	997301.	175286.	
8-03	4770.	0.	4174.	0.	73249.	0.	17993.	55257.	1052557.	182410.	
8-04	4110.	0.	3596.	0.	63114.	0.	16511.	46603.	1099160.	187847.	
8-05	3540.	0.	3098.	0.	54361.	0.	15188.	39173.	1138333.	191982.	
8-06	2990.	0.	2616.	0.	45915.	0.	13468.	32447.	1170780.	195081.	
8-07	2420.	0.	2118.	0.	37162.	0.	12807.	24356.	1195136.	197187.	
8-08	1960.	0.	1715.	0.	30098.	0.	12674.	17424.	1212560.	198549.	
8-09	1730.	0.	1514.	0.	26566.	0.	11484.	15083.	1227643.	199617.	
8-10	1390.	0.	1216.	0.	21345.	0.	11484.	9862.	1237504.	200248.	
8-11	1180.	0.	1033.	0.	18120.	0.	10558.	7563.	1245067.	200687.	
8-12											
S TOT	139070.	0.	121686.	0.	2135594.	550225.	340301.	1245067.	1245067.	200687.	
AFTER	0.	0.	0.	0.	0.	0.	0.	0.	1245067.	200687.	
TOTAL	139070.	0.	121686.	0.	2135594.	550225.	340301.	1245067.	1245067.	200687.	
CUM.	0.	0.			NET OIL REVENUE	2135594.		5 PCT	513421.	40 PCT	-26503.
					NET GAS REVENUE	0.		10 PCT	200687.	50 PCT	-21350.
ULT.	139070.	0.			NET PROD REVENUE	0.		15 PCT	64846.	60 PCT	-16405.
								20 PCT	6274.	80 PCT	-9654.
								30 PCT	-26280.	100 PCT	-5878.
CUM NET INC/INV(1)	0.				CUM NET PW/INV(1)	0.					
GROSS WELLS	0				LIFE (YEARS)	29.00					
MONTH IN 1ST YEAR	12				RATE OF RETURN, PCT	21.30					
INITIAL W.I., PCT	100.0000				INITIAL N.I., PCT	87.5000					

TABLE 5

## AFTER TAX ECONOMICS

## 1,4 Billion Barrel Field

-END- MO-YR ----	GROSS OIL MB-----	GROSS GAS MMF-----	REVENUE TO INT. M\$-----	OPER. EXPENSE M\$-----	NET INCOME M\$-----	CAPITAL INVEST. M\$-----	DEPR. M\$----	DEPL. M\$-----	INCOME TAX M\$-----	CASH FLOW M\$-----	CUM. NET PW M\$-----
8-83	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.	0.
8-84	0.	0.	0.	0.	0.	30000.	0.	0.	-10957.	-19043.	-15129.
8-85	0.	0.	0.	0.	0.	30000.	0.	0.	-10957.	-19043.	-28819.
8-86	0.	0.	0.	0.	0.	2646.	0.	0.	-866.	-1780.	-29982.
8-87	0.	0.	0.	0.	0.	2646.	0.	0.	-866.	-1780.	-31035.
8-88	0.	0.	0.	0.	0.	48154.	0.	0.	-13938.	-34216.	-49423.
8-89	0.	0.	0.	0.	0.	96314.	0.	0.	-27878.	-68436.	-82704.
8-90	5100.	0.	78317.	9923.	68394.	147840.	3387.	0.	-11660.	-67786.	-111315.
8-91	8500.	0.	130528.	10187.	120341.	96314.	10335.	0.	24804.	-777.	-109623.
8-92	10210.	0.	156787.	1429.	155359.	48154.	16332.	0.	52642.	54563.	-87586.
8-93	10310.	0.	158323.	15479.	142844.	24079.	18646.	0.	52509.	66256.	-63964.
8-94	10310.	0.	158323.	16141.	142182.	24079.	19829.	0.	51626.	66478.	-42518.
8-95	10310.	0.	158323.	17067.	141256.	0.	21140.	0.	57524.	83733.	-18503.
8-96	10310.	0.	158323.	20639.	137684.	0.	21140.	0.	55813.	81871.	2745.
8-97	10310.	0.	158323.	21565.	136758.	0.	21140.	0.	55369.	81389.	21859.
8-98	9700.	0.	148956.	22094.	126862.	0.	19889.	0.	51229.	75633.	37931.
8-99	9310.	0.	142967.	22226.	120740.	0.	19090.	0.	48680.	72060.	51788.
8-00	7950.	0.	122082.	21300.	100782.	0.	16301.	0.	40458.	60324.	62284.
8-01	6800.	0.	104422.	20374.	84048.	0.	13943.	0.	33573.	50475.	70231.
8-02	5860.	0.	89988.	19713.	70275.	0.	12016.	0.	27900.	42375.	76269.
8-03	4770.	0.	73249.	17993.	55257.	0.	9781.	0.	21778.	33478.	80585.
8-04	4110.	0.	63114.	16511.	46603.	0.	8427.	0.	18282.	28321.	83889.
8-05	3540.	0.	54361.	15188.	39173.	0.	7259.	0.	15284.	23889.	86411.
8-06	2990.	0.	45915.	13468.	32447.	0.	6131.	0.	12603.	19844.	88306.
8-07	2420.	0.	37162.	12807.	24356.	0.	4962.	0.	9288.	15068.	89609.
8-08	1960.	0.	30098.	12674.	17424.	0.	4019.	0.	6420.	11004.	90470.
8-09	1730.	0.	26566.	11484.	15083.	0.	3547.	0.	5524.	9558.	91146.
8-10	1390.	0.	21345.	11484.	9862.	0.	2850.	0.	3358.	6504.	91563.
8-11	1180.	0.	18120.	10558.	7563.	0.	2420.	0.	2463.	5100.	91858.
8-12											

S TOT 139070. 0. 2135594. 340301. 1795292. 550225. 262583. 0. 570004. 675063. 91858.

AFTER 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 0. 91858.

TOTAL 139070. 0. 2135594. 340301. 1795292. 550225. 262583. 0. 570004. 675063. 91858.

## RECAP

	GROSS	U.I.	NET			DIS	NET P.W.
INTEREST FRACTION	1.000000	1.000000	0.875000	LIFE, (YEARS)	29.00	PCT	M\$
OIL RESERVES, MB	13907.	13907.	12169.	GROSS OIL WELLS	0.	---	---
GAS RESERVES, MMCF	0.	0.	0.	GROSS GAS WELLS	0.	5	262271.
PRODUCTS	0.	0.	0.	RATE OF RETURN, PCT	18.80	10	91858.
REVENUE, M\$	278140.	278140.	213559.	DISCOUNT RATE, PCT	10.0	15	21388.
OPERATING EXPENSE, M\$	34030.	34030.	34030.	PAYOUT YEARS	12.31	20	-6747.
TANGIBLES, M\$	26258.	26258.	26258.			30	-19010.
INTANGIBLES, M\$	28764.	28764.	28764.			40	-16211.
						50	-11945.
INITIAL OIL PRICE (\$/B)		20.00		U.I. BEFORE PAYOUT, PCT	100.00	70	-6079.
INITIAL GAS PRICE (\$/M)		0.		U.I. AFTER PAYOUT, PCT	100.00	100	-2225.

## STATE OF ALASKA LEASING PROCESS

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### Overview

The planning and execution of an oil and gas lease sale is a lengthy process, beginning before the sale area is included in the State's proposed five-year leasing program. It involves a number of state agencies, with the Department of Natural Resources as the lead agency. It also involves the public and local communities. The process described here is an idealized version and one the Department hopes to follow for future sales. Given the time constraints in this process, those sales scheduled for late 1983 will be the first ones to have fully undergone these steps.

Aside from certain legal noticing requirements, there are important reasons why a process as lengthy as this one is necessary. The early announcement of a potential sale encourages the early mobilization of public and private resources for the purpose of gathering information (geologic/geophysical, environmental, socioeconomic) relevant to the proposed sale area.

Certain aspects of the process require added emphasis. Approximately 30 months before a proposed sale date, the Department of Natural Resources begins to acquire regional geophysical/geological data. This information is used in conjunction with industry nominations and public comments to define a specific sale area. This reduces the proposed sale area to a smaller, more compact size and permits public and private agencies to more accurately focus their sale-related evaluations. In the past, industry nominations have largely determined the tract selections for a given sale.

As the information gathering process continues, the Department gathers additional geophysical/geological data, including information about geohazards. This information permits the Department to roughly assess the hydrocarbon potential of the sale area. These rough approximations provide other state and local agencies with information important to their assessments of potential sale-related socioeconomic and environmental impacts.

The Department's evaluation process gradually moves from region to basin to a tract specific analysis. These refinements permit the assessment of potential trade-offs associated with tract deletions that may be suggested for reasons of environmental concern. Without tract specific information, the Department may unknowingly delete high potential tracts.

AS 38.05.180 requires that the Department conduct a thorough presale analysis prior to each proposed sale. This analysis is used to select a bidding system and lease terms tailored to a specific area and designed to yield the State a maximum return on its hydrocarbon resources. For the analysis to be valid, an intensive interpretation of geophysical/geological, engineering and economic data is necessary.

### Procedures

With this overview in mind, the steps in the process are set out below. (For "exempt" sales--those excepted from the five-year program requirement by AS 38.05.180(d) or (w)--most of these same steps are followed, but they are compressed into a much shorter period of time.)

1. Approximately 26 to 61 months before a sale is proposed to take place: Department of Natural Resources chooses new areas to add to the leasing program or revises the schedule, based on its assessment of oil and gas potential, industry interest, and informal state agency review. DNR then invites the public to comment on the proposed additions and revisions. The State's Agency Advisory Committee on Leasing (AACL) and officials of potentially affected communities located near proposed sale areas also review the proposed additions and revisions.
2. 24 to 59 months before the proposed sale date: The Five-Year Leasing Program is presented to the Alaska Legislature.
3. 22 to 32 months before the proposed sale date: DNR issues a formal Call for Nominations or Comments to the oil industry, State and federal agencies, and the public for a general sale area shown in the Five-Year Leasing Program. At the same time, DNR begins a search for available seismic data and starts compiling surface and subsurface geologic data on the nomination area.
4. 23 months: DNR analyzes the nominations or comments submitted by the oil industry, interest groups, other agencies, and the public. On the basis of this information, the nomination/comment area is scaled down to the "proposed sale area."
5. 21 months: The availability of the new proposed sale area maps is advertised. The map is sent to potentially affected communities to use in planning for the proposed sale. Other State agencies, including members of the AACL, are also invited to review the proposed sale area boundaries. After making its final selection of geophysical data, DNR begins contracting to purchase and process the data over the next seven months. Meanwhile, DNR starts interpreting the geologic data that has been gathered on the proposed sale area and schedules field work to fill in any identified gaps.
6. 15 months: State members of the AACL begin researching and summarizing the data they will contribute to the Social, Economic and Environmental Analysis (SEEA) that may be prepared for major sales pursuant to Administrative Order No. 52. A member of a potentially affected community is appointed as ex-officio member of the AACL.
7. 12 months: The Department completes its preliminary geologic analysis of the proposed sale area and provides the economic and engineering units with estimates of ranged reservoir parameters.
8. 10 to 11 months: If a SEEA is prepared for the area, the draft is made available to the public and comments are solicited.
9. 9 to 10 months: Public meetings are held near the proposed sale area to receive comments on the proposed action.
10. 8 to 9 months: Public review period for draft SEEA ends.

11. 8 months: DNR initiates land status research to determine leasable acreage. Once engineering data are gathered, an economic analysis of a proposed lease sale is begun.
12. 6 months: Geologic analysis, including the identification of potential geohazards, is completed. DNR begins a preliminary assessment of bidding methods to be used in the proposed sale.
13. 5 to 6 months: The draft SEEA is revised as a result of public and agency review. Meanwhile, based on a combination of the information contained in the SEEA, agency comments made directly to DNR, and geological and geophysical information, the proposed sale area boundaries undergo their final revision. A preliminary tract map of the revised sale area is prepared.
14. 3 to 4 months: Final version of the SEEA is printed and distributed.
15. 4 months: A preliminary analysis that sets out the issues and facts regarding the proposed sale is made by DNR and is distributed to the public for comment. At the same time, advertisements are published in the proposed sale area stating that the preliminary finding on the proposed sale is available and public response is invited.
16. 3 months: Comments are received from the general public and from communities within the proposed sale area. Final decisions on the sale, tracts to be included, and the mitigating measures that will be enforced on the leases are made on the basis of these comments and those of other state agencies. A final tract map is prepared. A coastal management consistency determination is prepared and the final decision pursuant to AS 38.05.035(a)(14) is written.
17. 2 months: Based on geophysical information, DNR prepares a final prospect map (confidential) of the proposed sale area, completes the required pre-sale economic analysis and selects a bidding method to be used for the specific sale.
18. 2 months: Public notice of the final sale terms is initiated, with a copy of the notice sent to affected communities and to all parties on the DNR oil and gas mailing list.
19. 1 month: A final land status check and identification of third-party interests are carried out.
20. Day zero: The lease sale is held on its scheduled date.
21. Within a week after the lease sale, the apparent high bids are analyzed, and the Commissioner of DNR decides whether to accept the high bids. The winning bidders are notified.

The following chart summarizes the major activities associated with sales comprising the state's current Five-Year Oil and Gas Leasing Program.

## STATE OF ALASKA FIVE-YEAR OIL AND GAS LEASING PROGRAM

12 / 01 / 82

[illegible]

NC = Call for Nominations / Comments

C = Call for Comments

**R = Nominations / Comments Received**

**M = Proposed Sale Area Mapped**

SE = Draft Social, Economic And Environmental Analysis (SEEA)

H = Public Meetings on Sale

P = Preliminary Analysis / Preliminary .345 (a)(3) Notice / Final SEEA

F = Departments Final Decision / Final .345 (a)(4) (Notice Of Sale And Terms) / ACMP Determination

**S = Sale**

## PROPOSED SALE AREAS: 1983 - 1987

This section discusses the petroleum geology of areas that the state proposes to lease during 1983-1987 and provides a brief social, economic and environmental description of each area.

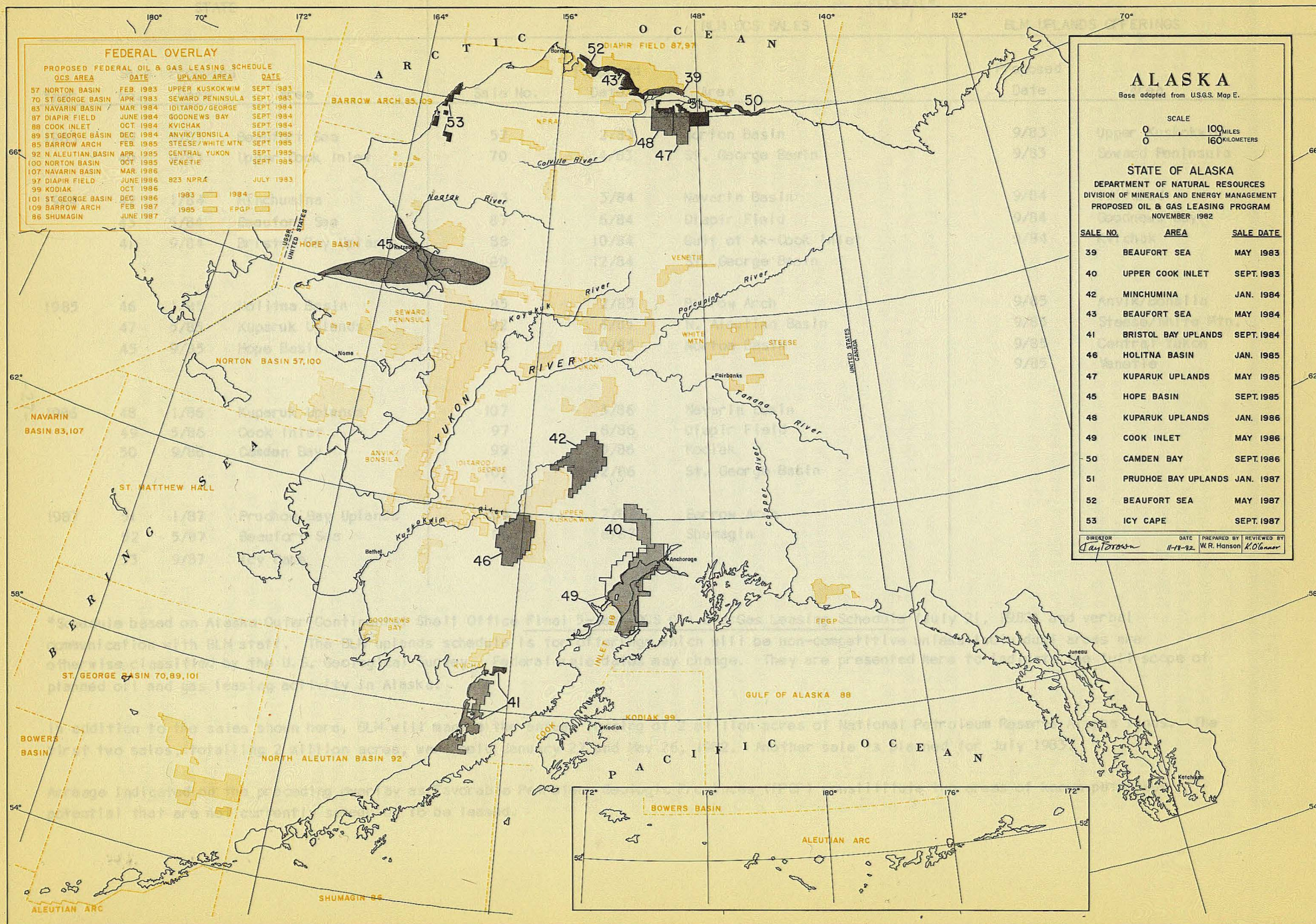
The proposed sales included in the five-year program are at various stages in the leasing process described earlier. Proposed sale areas for which formal nominations or comments have not yet been solicited by the Department are considered nomination areas. Generally, nominations and comments are solicited 22 to 32 months before the sale. Once nominations and comments have been received and analyzed, a proposed sale area map is prepared. The following sales comprise the state's Five-Year Oil and Gas Leasing Program.

<u>DATE</u>	<u>PROPOSED SALE AREA</u>
May 1983	Beaufort Sea (Sale 39)
Sept. 1983	Upper Cook Inlet (Sale 40)
Jan. 1984	Minchumina Basin (Sale 42)
May 1984	Beaufort Sea (Sale 43)
Sept. 1984	Bristol Bay Uplands (Sale 41)
Jan. 1985	Holitna Basin (Sale 46)
May 1985	Kuparuk Uplands (Sale 47)
Sept. 1985	Hope Basin (Sale 45)
Jan. 1986	Kuparuk Uplands (Sale 48)
May 1986	Cook Inlet (Sale 49)
Sept. 1986	Camden Bay (Sale 50)
Jan. 1987	Prudhoe Bay Uplands (Sale 51)
May 1987	Beaufort Sea (Sale 52)
Sept. 1987	Icy Cape (Sale 53)

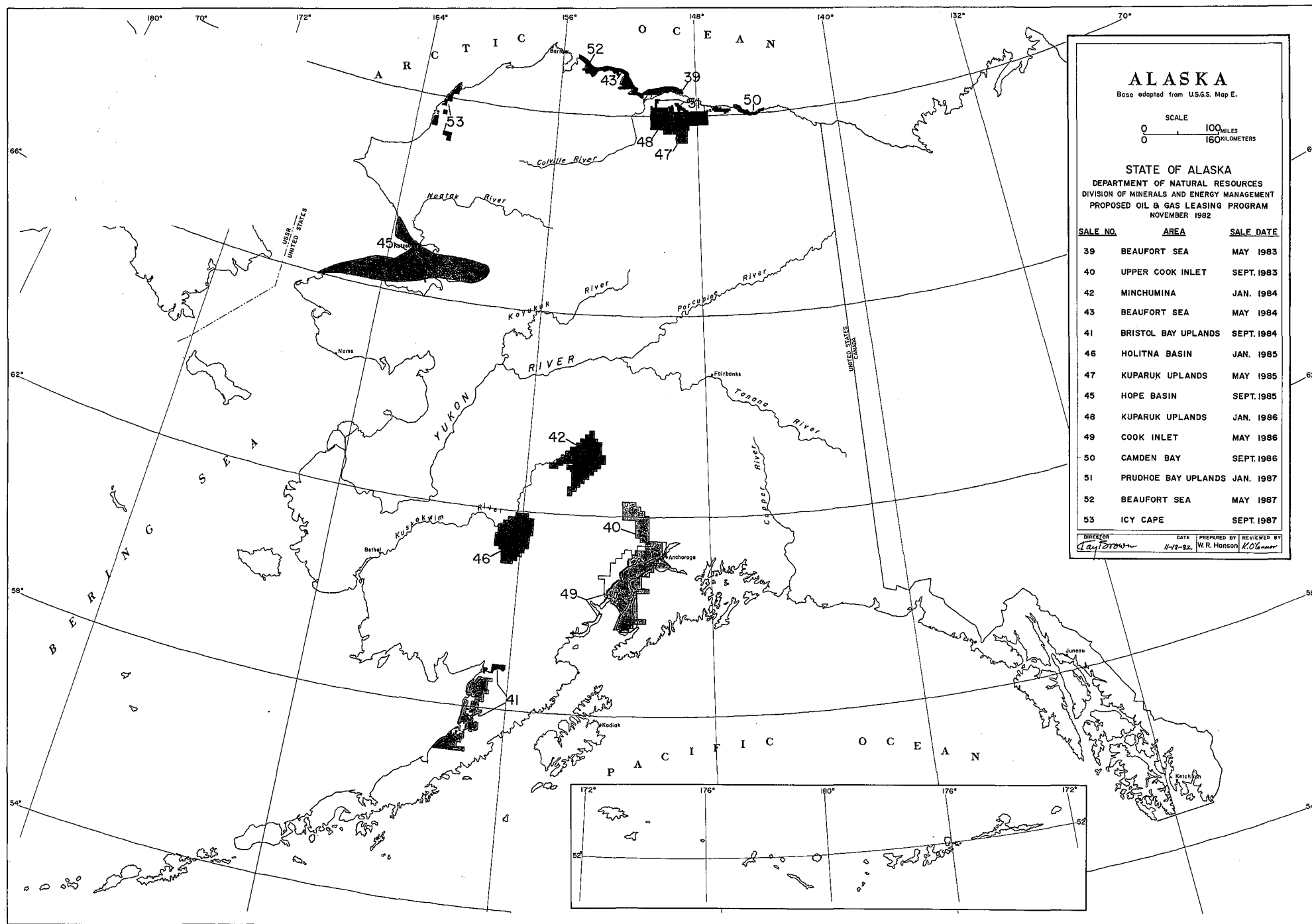
These sale areas are identified on the following statewide map and can be compared with the proposed federal lease sales depicted on the attached overlay.

The Norton Basin Lease Sale (38), originally proposed for January 1983, was canceled on June 22, 1982.









## COMPARISON OF FEDERAL AND STATE LEASING SCHEDULES IN ALASKA

STATE				FEDERAL*			
				BLM OCS SALES		BLM UPLANDS OFFERINGS	
Year	Sale No.	Proposed Date	Area	Sale No.	Proposed Date	Area	Proposed Date
1983	39	5/83	Beaufort Sea	57	2/83	Norton Basin	9/83
	40	9/83	Upper Cook Inlet	70	4/83	St. George Basin	9/83
1984	42	1/84	Minchumina	83	3/84	Navarin Basin	9/84
	43	5/84	Beaufort Sea	87	6/84	Diapir Field	9/84
	41	9/84	Bristol Bay Uplands	88	10/84	Gulf of Ak-Cook Inlet	9/84
				89	12/84	St. George Basin	Kvichak
1985	46	1/85	Holitna Basin	85	2/85	Barrow Arch	9/85
	47	5/85	Kuparuk Uplands	92	4/85	N. Aleutian Basin	9/85
	45	9/85	Hope Basin	100	10/85	Norton Basin	9/85
1986							Central Yukon
							Venetie
	48	1/86	Kuparuk Uplands	107	3/86	Navarin Basin	
	49	5/86	Cook Inlet	97	6/86	Diapir Field	
1987	50	9/86	Camden Bay	99	10/86	Kodiak	
				101	12/86	St. George Basin	
	51	1/87	Prudhoe Bay Uplands	109	2/87	Barrow Arch	
	52	5/87	Beaufort Sea	86	6/87	Shumagin	
	53	9/87	Icy Cape				

\*Schedule based on Alaska Outer Continental Shelf Office Final 5-Year OCS Oil and Gas Leasing Schedule (July 21, 1982) and verbal communication with BLM staff. The BLM uplands schedule is for offerings which will be non-competitive unless individual areas are otherwise classified by the U.S. Geological Survey. Federal sale dates may change. They are presented here to indicate the full scope of planned oil and gas leasing activity in Alaska.

In addition to the sales shown here, BLM will manage the annual leasing of 2 million acres of National Petroleum Reserve Alaska lands. The first two sales, totalling 2 million acres, were held January 27 and May 26, 1982. Another sale is planned for July 1983.

Acreage indicated on the preceding overlay as Favorable Petroleum Geologic Provinces (FPGP) constitute two areas of known petroleum potential that are not currently scheduled to be leased.

## GEOLOGICAL DESCRIPTIONS OF 1983-1987 PROPOSED SALE AREAS

The proposed five-year oil and gas leasing program for the period 1983-1987 includes sales from six different geologic basins in Alaska. Those areas include the North Slope Basin, the Cook Inlet Basin, the Bristol Bay Basin, the Hope Basin, the Holitna Basin and the Minchumina Basin. The hydrocarbon resource potential of two of these basins, the North Slope Basin and the Cook Inlet Basin, is well documented by past discoveries and development in both. On the other hand, so little is known about some of the others that it is not certain that they are actually sedimentary basins. Given this spectrum of uncertainties, the following discussion describes the relative potential of these basins.

### North Slope Basin

The North Slope Basin is one of the two basins (Cook Inlet is the other) in Alaska which has been explored through the use of conventional geologic and geophysical tools. Field mapping of exposed sediments around the south flank of the North Slope Basin was begun by the U.S. Geological Survey in the early years of the twentieth century. Detailed mapping by the U.S. Geological Survey, as well as by private industry and the State of Alaska, has continued to this day. Thousands of line miles of seismic data have been collected and hundreds of wells have been drilled to evaluate the prospects delineated by these programs. Major discoveries have resulted at Prudhoe Bay, the Kuparuk Field, Flaxman Island, Pt. Thomson, Duck Island-Sag Delta, and other areas extending from the Naval Petroleum Reserve in Alaska (NPRA) in the west to the border of the Arctic National Wildlife Refuge (ANWR) in the east. Rich source rocks, thick productive reservoirs, adequate seals and numerous, diverse traps have been documented.

Eight of the 14 proposed sales, including Sales 39, 43, 47, 48, 50, 51, 52, and 53 are located in the North Slope Basin. The potential for all of these sale areas is considered moderate to high, with the exception of Sale 53, which is considered low to moderate.

### Cook Inlet Basin

Like the North Slope Basin, the Cook Inlet Basin has proven oil and gas production. The basin contains a thick sequence of Tertiary age sediments which include several excellent reservoir intervals and gas-prone source rocks. Geochemical analysis of deeper Mesozoic age strata indicate that some of these rocks are probably thermally mature, oil-source rocks. Most production to date has been discovered in traps formed by high-relief, reverse-faulted anticlines.

Recent exploratory drilling on federal outer continental shelf (OCS) acreage in Lower Cook Inlet resulted in no new discoveries, and industry interest in that area, as evidenced by the results of the OCS Sale 60, appears to have waned. These results and the extensiveness of past exploration activity in Upper Cook Inlet argue against the likelihood of future major discoveries in either area. Nevertheless, the prospects for the discovery of small to medium sized fields is good; as a result, the potential of the basin is considered low to moderate.

### Bristol Bay and Hope Basins

Two of the remaining four basins for which sales are proposed, the Bristol Bay Basin and the Hope Basin, have been inadequately evaluated by regional geologic mapping and the drilling of a few, widely scattered exploratory wells. All of the wells drilled in the two areas to date have been dry holes. The Department has no information regarding the decisions which led to the selection by industry of the specific locations for each of these tests. As a result, it is difficult to assess whether their results are representative of the respective basins. For example, it is uncertain what part, if any, seismic definition of subsurface anomalies played in the drilling of any of the wells.

In most cases locations were chosen because geologic surface mapping indicated favorable structures. It is uncertain that these surface features actually represented potential traps at depth. Until there has been considerably more detailed seismic evaluation of these areas followed by additional wells it is difficult to evaluate their ultimate potentials. However, based upon the results to date, the potential of these basins is considered to be low to moderate.

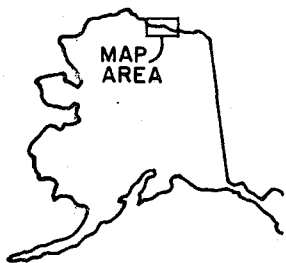
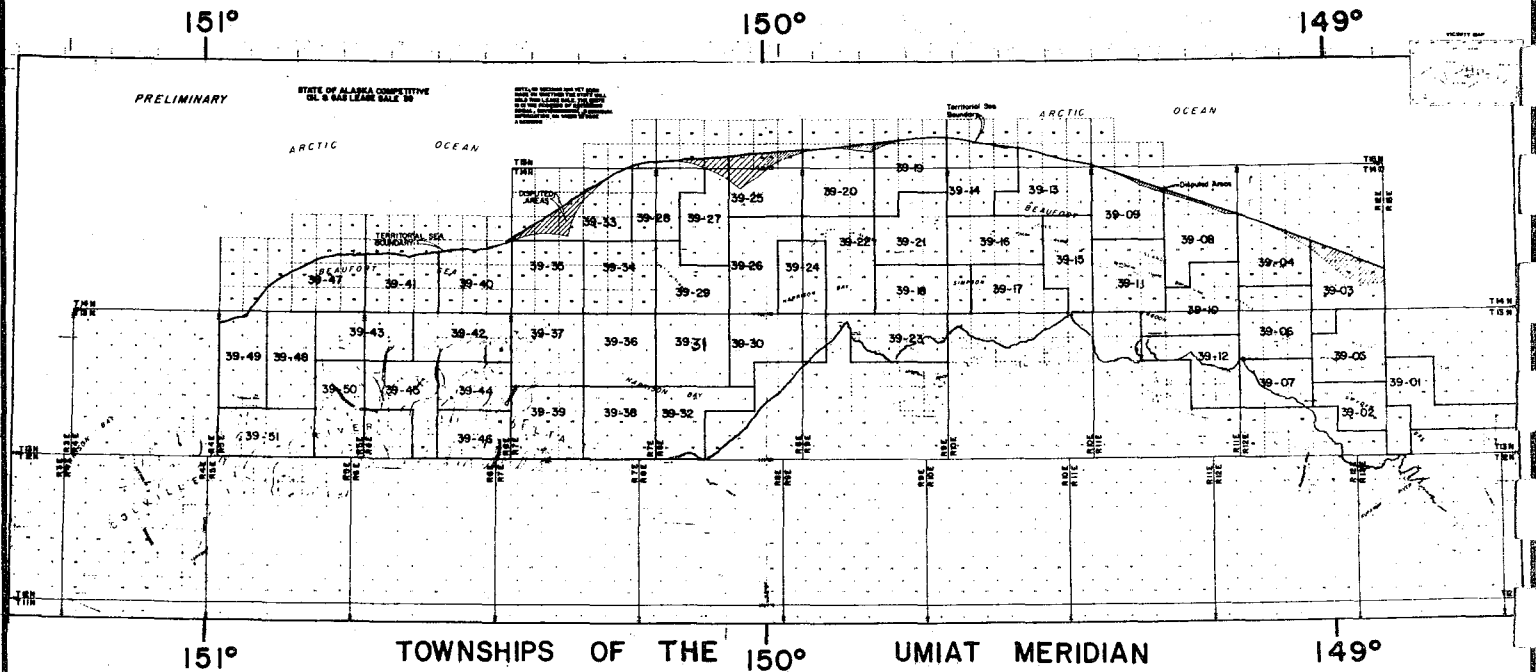
### Minchumina and Holitna

In the truest sense of the word, the Minchumina and Holitna basins are "wildcat" basins. Regional, reconnaissance level mapping provides most of what is known about state-owned lands within these basins. In addition, state geologists and geophysicists have conducted gravity surveys and have collected rock samples for source rock evaluations in the basin. The approximate limits of both the Minchumina and the Holitna basins have been loosely defined by regional gravity and aeromagnetic surveys. The thickness of the sedimentary section which produced the observed gravity anomalies is unknown. The potential of both the Minchumina and Holitna basins is currently considered low.



DESCRIPTION OF PROPOSED LEASE SALE AREAS

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STATE OF ALASKA	
DEPARTMENT OF NATURAL RESOURCES	
DIVISION OF MINERALS AND ENERGY MANAGEMENT	
PROPOSED OIL AND GAS LEASE SALE 39	
BEAUFORT SEA PRELIMINARY TRACT MAP	
SCALE 1:500,000 1 inch = 8 Miles	
10 0 10 20 30 40 50 Miles	
DIRECTOR, D.M.E.M. KAY BROWN	DRAWN BY O.D.S.
LEASING MANAGER, PAMELA ROGERS	CHECKED BY WPH
DATE APPROVED 12-17-82	

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.



Date Scheduled: May, 1983.

Description of Sale Area: The proposed sale area consists of approximately 261,000 acres of state-owned submerged lands and unleased upland acreage extending westward from the western boundary of the 30th State Competitive Oil and Gas Lease Sale Area (1979 Joint Federal/State Beaufort Sea Sale) to an area on the Colville Delta in eastern Harrison Bay, approximately eighteen miles southeast of Atigaru Point. The proposed sale area borders O.C.S. Sale 71 (Diapir Field) which was held in October, 1982. Approximately 5,760 acres in T13N, R12E, U.M. and T13N, R13E, U.M., north of the Gwydyr Bay Unit will be added to the sale under AS 38.05.180(d).

Petroleum Potential: Petroleum potential in the proposed sale area is considered to be moderate to high.

Other Resources: The proposed sale area supports populations of marine, anadromous, and freshwater fish; waterfowl; seals; bowhead and belukha whales; and polar bears. Simpson Lagoon is an important summer feeding habitat for anadromous and marine fishes and the Colville River Delta is used by a number of different fish species for spawning and overwintering and as a nesting area for waterfowl and shorebirds from late May to early August. The delta also is used for subsistence hunting and fishing by residents of Nuiqsut.

Community Information: The North Slope Borough is currently preparing a Coastal Management Plan for the sale area. It is anticipated that a public hearing draft will be completed in mid-1983.

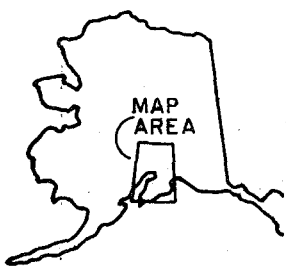
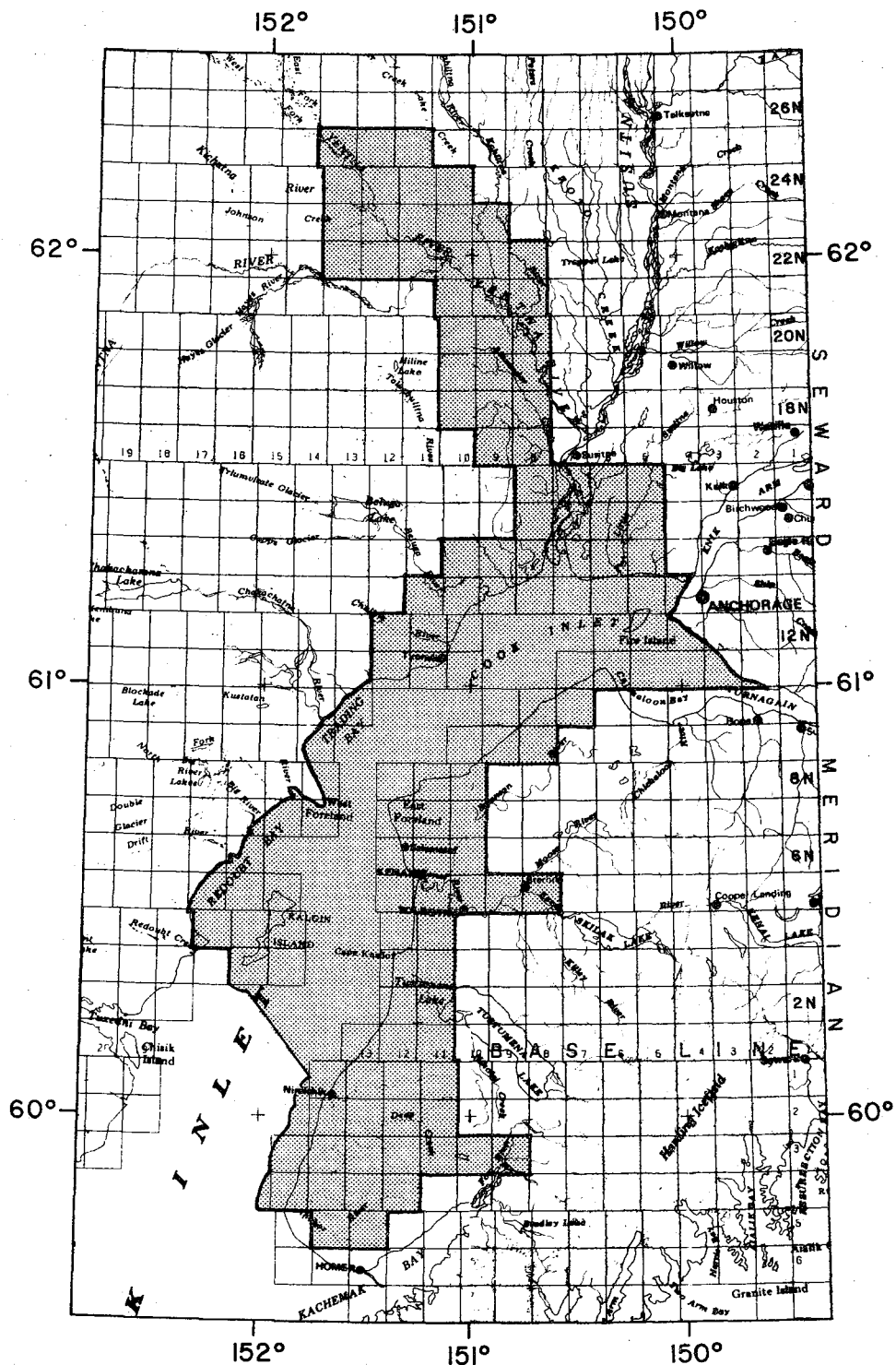
The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	212
Kaktovik	Second class city	165
Nuiqsut	Second class city	208
Wainwright	Second class city	405

\*Population based on 1980 Census Figures.

Status of Sale: No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in March, 1983.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 40**  
**UPPER COOK INLET**

SCALE 1:1,774,000 1 inch = 28 miles (Approximate)  
6 0 6 12 18 24 30 36 42 48 54 60 66 72

DIRECTOR, D.M.E.M. KAY BROWN <i>Kay Brown</i>	DRAWN BY O.D.S.
LEASING MANAGER PAMELA ROGERS <i>Pamela Rogers</i>	CHECKED BY WRH

DATE APPROVED 12/16/82  
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 UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

PROPOSED SALE AREA

Date Scheduled: September, 1983.

Description of Sale Area: The proposed sale area from which tracts will be selected consists of approximately 1.45 million acres. The acreage selected for leasing will consist of available state-owned land in the lower Susitna Valley and on the Kenai Peninsula and submerged lands in Cook Inlet.

Petroleum Potential: Petroleum potential in the area is considered to be moderate.

Other Resources: The general sale includes the Susitna Flats and Trading Bay State Game Refuges, and it is near the Kenai National Moose Range. It includes productive waterfowl habitat for migrating and nesting ducks, geese, swans, and shorebirds.

Key anadromous fish streams include the Kenai and Kasilof River systems. The Susitna River system is the largest producer of salmon in the Cook Inlet basin. Important moose habitat exists in the Trading Bay area.

The area encompassed by the sale includes important commercial and recreational fishing and hunting areas.

Community Information: The Kenai-Soldotna area, Sterling Highway corridor, Anchorage bowl, Matanuska Valley, and Parks Highway and Glenn Highway corridors currently provide adequate infrastructure for development.

The general sale area is within the boundaries of two boroughs and the Municipality of Anchorage, all of which have district coastal management programs in varying stages of development. The Matanuska-Susitna Borough distributed a public hearing draft plan in late 1982 which will likely be submitted to the Alaska Coastal Policy Council in early 1983. The Municipality of Anchorage has received approval from the Alaska Coastal Policy Council for the Anchorage Coastal Management Program. The Kenai Peninsula Borough completed a draft coastal development plan, but after considerable public opposition the Borough decided not to complete a coastal management program.

Local communities include:

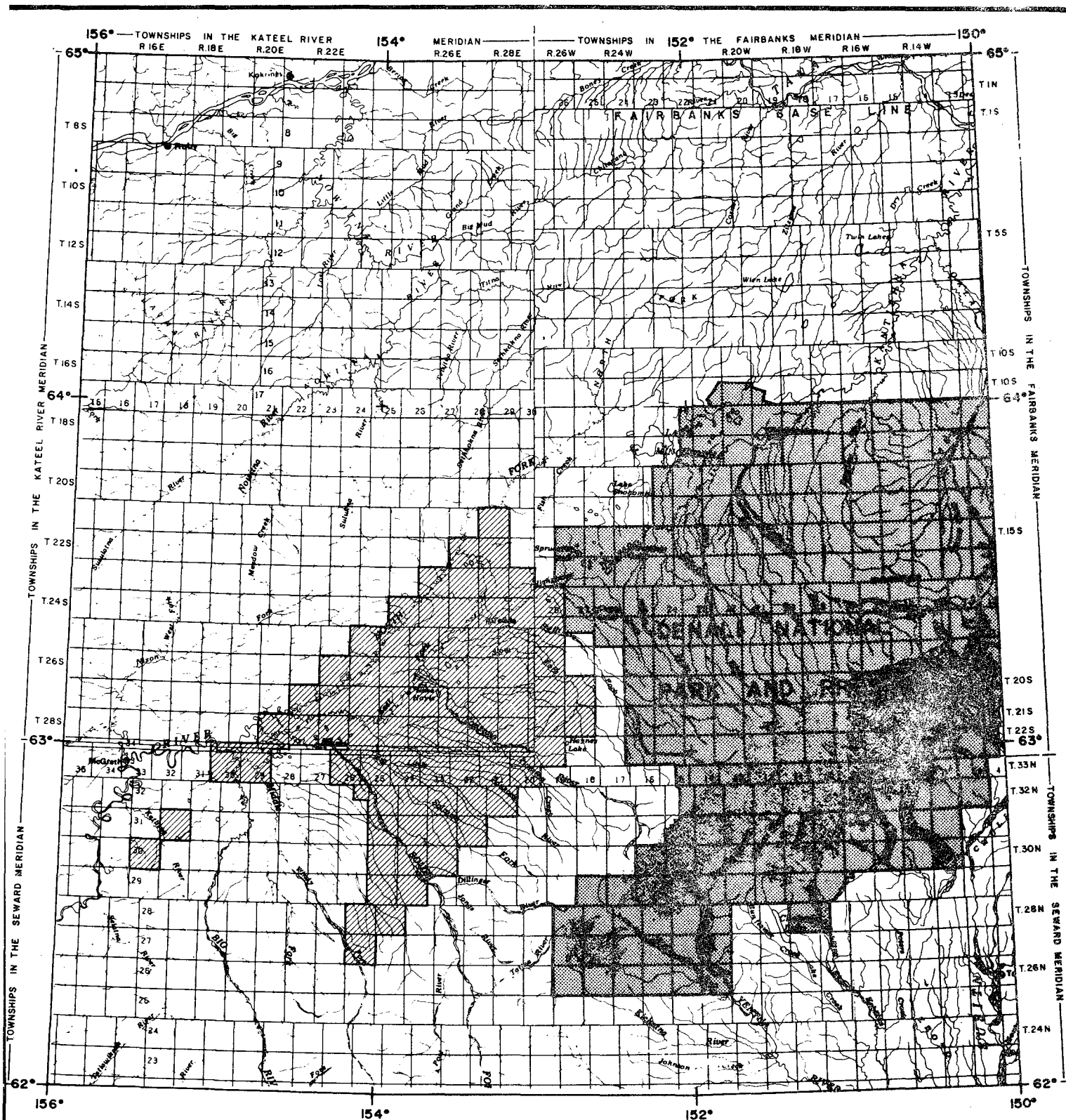
<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Kenai Peninsula Borough	Second class borough	25,282
Kenai	Home rule city	4,324
Soldotna	First class city	2,320
Tyonek	Unincorporated	239
Matanuska-Susitna Borough	Second class borough	17,816
Houston	Second class city	370
Palmer	Home rule city	2,141
Homer	First class city	2,209

(Local communities continued)

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Wasilla	Second class city	1,559
Municipality of Anchorage	Unified home rule Municipality	174,431
Nikishka	Unincorporated	1,109
Salamatof	Unincorporated	334
Kasilof	Unincorporated	201
Clam Gulch	Unincorporated	50
Ninilchik	Unincorporated	341
Anchor Point	Unincorporated	226
Big Lake	Unincorporated	410
Kachemak	Second class city	403

\*Population estimates based on 1980 Census Figures.

Status of Sale: No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in July, 1983.



STATE OF ALASKA  
 DEPARTMENT OF NATURAL RESOURCES  
 DIVISION OF MINERALS AND ENERGY MANAGEMENT  
 PROPOSED OIL AND GAS LEASE SALE 42  
 MINCHUMINA BASIN

1:1,742,000 1" = 27.5 Miles  
 0 10 20 30 40 50 Miles  
 0 10 20 30 40 50 Kilometers

DIRECTOR, D.M.E.M.  
 KAY BROWN

*Kay Brown*

LEASING MANAGER,  
 PAMELA ROGERS

*Pamela Rogers*

DRAWN BY:  
 O.D.S.

CHECKED BY:  
 WPH

DATE APPROVED 12/16/82

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 PROJECTION ON SIX DEGREE BANDS

NOTE: NO DECISION HAS YET  
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 SALE. THE STATE IS  
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 INFORMATION ON WHICH TO  
 BASE A DECISION.

PROPOSED SALE AREA



Date Scheduled: January, 1984.

Description of Sale Area: The 1.8 million acres proposed for leasing lie to the west of the Denali National Park and Preserve and southwest of Lake Minchumina.

Petroleum Potential: Petroleum potential in the area is considered to be low.

Other Resources: The proposed sale area is located within a currently undeveloped area. Lake Minchumina is included in the basin and is the headwaters of the Kantishna River, which is a major king and chum salmon spawning tributary to the Tanana River. Other important salmon spawning streams include Moose Creek and Foraker River. Northern pike, burbot, arctic grayling, and several species of whitefish also are abundant in the area. Muskeg bogs surrounded by combination spruce/poplar, spruce/hardwood forests provide habitat for numerous species of furbearers and small game animals, including mink, muskrat, short-tailed weasel, marten, land otter, beaver, spruce grouse and various waterfowl. This same habitat provides winter range for moose and caribou. Black bear, grizzly bear, wolverine and wolves are present throughout the basin.

Community Information: Minchumina basin and adjacent uplands are in the unorganized borough, in an area commonly called the Upper Kuskokwim.

McGrath serves as the regional center for government services, trade and transportation in the area. Most residents are engaged in traditional subsistence activities and commercial trapping. There is some mining activity in the summer. The Native people are Athapaskan. However, McGrath is primarily non-native. The basin is not included within the interim boundaries of the Alaska Coastal Management Program.

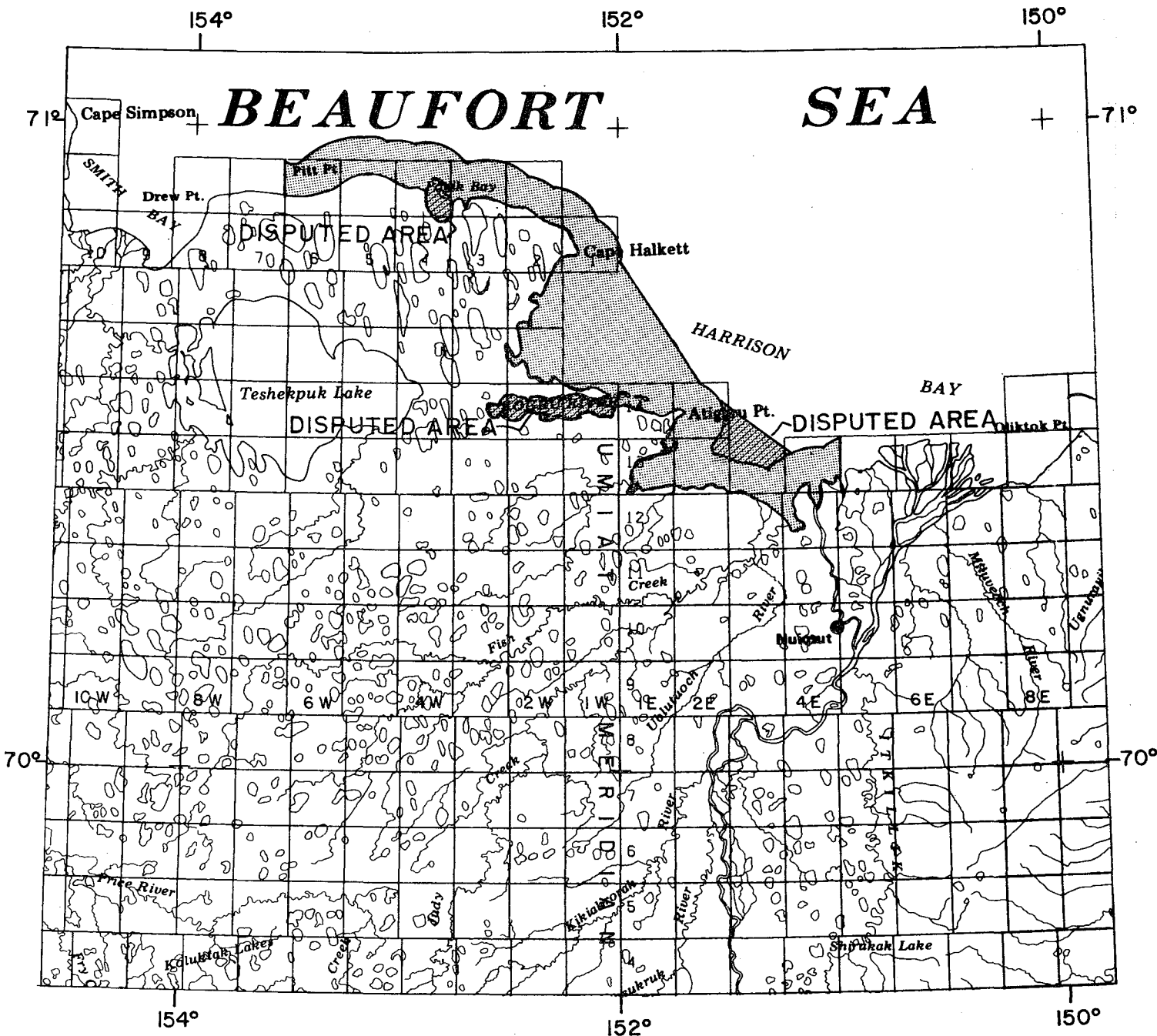
The Kuskokwim River serves as a major transportation route during the summer (May through early October). During the winter, the area relies primarily on air transportation. Except for a few strictly local roads, the area is roadless. Major airstrips (with runways 5,000' or more) are located at McGrath and Farewell. Minchumina Lake is accessible by boat along the Tanana River.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
McGrath	Second class city	355
Nikolai	Second class city	91
Takotna	Unincorporated	48
Ophir	Unincorporated	---
Telida	Unincorporated	33

\*Population estimates based on 1980 Census Figures.

Status of Sale: No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in November, 1983.



STATE OF ALASKA										
DEPARTMENT OF NATURAL RESOURCES										
DIVISION OF MINERALS AND ENERGY MANAGEMENT										
PROPOSED OIL AND GAS LEASE SALE 43										
BEAUFORT SEA										
SCALE 1:1,000,000 1 inch = 16 Miles										
<table border="1"> <tr> <td>DIRECTOR, D.M.E.M. KAY BROWN</td> <td><i>Kay Brown</i></td> <td>DRAWN BY O.D.S.</td> <td>DATE APPROVED 12/16/82</td> </tr> <tr> <td>LEASING MANAGER, PAMELA ROGERS</td> <td><i>Pamela Rogers</i></td> <td>CHECKED BY WRH</td> <td>BASE MAP: 6. COPYRIGHT ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER, 1978. ALL RIGHTS RESERVED, INCLUDING REPRODUCTION IN WHOLE OR IN PART IN ANY FORM. UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS.</td> </tr> </table>			DIRECTOR, D.M.E.M. KAY BROWN	<i>Kay Brown</i>	DRAWN BY O.D.S.	DATE APPROVED 12/16/82	LEASING MANAGER, PAMELA ROGERS	<i>Pamela Rogers</i>	CHECKED BY WRH	BASE MAP: 6. COPYRIGHT ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER, 1978. ALL RIGHTS RESERVED, INCLUDING REPRODUCTION IN WHOLE OR IN PART IN ANY FORM. UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS.
DIRECTOR, D.M.E.M. KAY BROWN	<i>Kay Brown</i>	DRAWN BY O.D.S.	DATE APPROVED 12/16/82							
LEASING MANAGER, PAMELA ROGERS	<i>Pamela Rogers</i>	CHECKED BY WRH	BASE MAP: 6. COPYRIGHT ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER, 1978. ALL RIGHTS RESERVED, INCLUDING REPRODUCTION IN WHOLE OR IN PART IN ANY FORM. UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS.							

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

PROPOSED SALE AREA



DISPUTED AREA





Date Scheduled: May, 1984.

Description of Sale Area: The acreage proposed for leasing consists of state-owned submerged lands between the western edge of Lease Sale 39 and a point approximately nine miles west of Pitt Point. Areas in Harrison Bay and near NPRA which are currently claimed by both the federal and state governments may be offered in Sale 43 if it is determined that the state owns these areas.

Petroleum Potential: Petroleum potential in the area is considered to be moderate to high.

Other Resources: The area supports populations of marine, anadromous, and freshwater fish; waterfowl; seals; bowhead and belukha whales; and polar bears.

The area is used for subsistence by the residents of Nuiqsut and Barrow.

Community Information: The sale area is included within the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district program for the area and a public hearing draft is anticipated in mid-1983.

The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	212
Kaktovik	Second class city	165
Nuiqsut	Second class city	208
Wainwright	Second class city	405

\*Population estimates based on 1980 Census Figures.

Status of Sale: No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in March, 1984.



Date Scheduled: September, 1984.

Description of Sale Area: The proposed sale area is located between the Kvichak River and Port Heiden on the Alaska Peninsula. State land holdings are currently limited with much land yet to be conveyed. The proposed sale consists of approximately 1.2 million onshore acres. AS 38.05.140(f) precludes the leasing of state-owned and controlled submerged lands and shorelands in Bristol Bay drainage east of 159°49' west longitude and north of 57°30' north latitude without the consent of the Legislature. Little exploration activity has occurred, and drilling in the past has not resulted in any significant finds. Federal leasing in the area is also being considered.

Petroleum Potential: Petroleum potential in the area is considered to be low to moderate.

Other Resources: Bristol Bay encompasses important fish and wildlife habitats. The Bristol Bay salmon and herring fishery is the largest in the State and the crab fishery is substantial. There is also a potential for clam and bottom fisheries in the bay.

Bristol Bay is an important marine mammal use area. Large numbers of harbor seals are found at the mouths of all of the major rivers. Round Island, which is west of the sale area, is an important hauling out area for male walrus. A population of approximately 1,500 belukha whales reside in the bay, and endangered gray whales migrate through the nearshore waters of the bay twice annually. Other marine mammals commonly found in the bay include beaked whales, porpoises, bearded seals, sea lions, and sea otters.

Bristol Bay is a major waterfowl nesting area and migration route. In addition to the millions of ducks, geese, and shorebirds that nest in the area, geese, ducks, and whistling swans migrate along the coastal area of Bristol Bay annually. The entire world's population of brant and emperor geese may be found on the tidelands of Bristol Bay in the spring and fall. Approximately 1.6 million seabirds also nest in this region, and major colonies are located at Round Island, Cape Seniavin, and Cape Newenham.

The portion of the lease area located between Izembek National Wildlife Refuge and Kvichak Bay is critical habitat for moose, caribou, and brown bear. Most of the moose found south of Becharof Lake overwinter in this area. The entire Alaska Peninsula Caribou Herd calves and overwinters in the sale area. All of the brown bear on the Alaska Peninsula south of Becharof Lake periodically use this area for foraging and feeding. These big game animals form the basis of the large subsistence and recreational harvest in the southeastern Bristol Bay region.

The proposed sale area contains three state critical habitat areas.

Community Information: Except for the Bristol Bay Borough, the basin and nearby areas are in the unorganized borough. Dillingham serves as the regional center for the Bristol Bay area. Traditional subsistence activities, commercial salmon fishing, and government activities form the area's economic base. Area residents are primarily Yupik Eskimo; most non-Natives live in Dillingham and in the Bristol Bay Borough.

There are no deepwater ports in Bristol Bay, but Naknek and Dillingham have cargo-handling ports which rely on lightering cargo from vessels anchored further offshore. Freight destined for inland location is usually transported by river from Naknek or Dillingham. Air transportation is also vital to the area. There are several airstrips in the area with runways of 5,000' or more. They include Dillingham, Iliamna, King Salmon, Ugashik Bay and Port Heiden. Dillingham and King Salmon handle most air traffic.

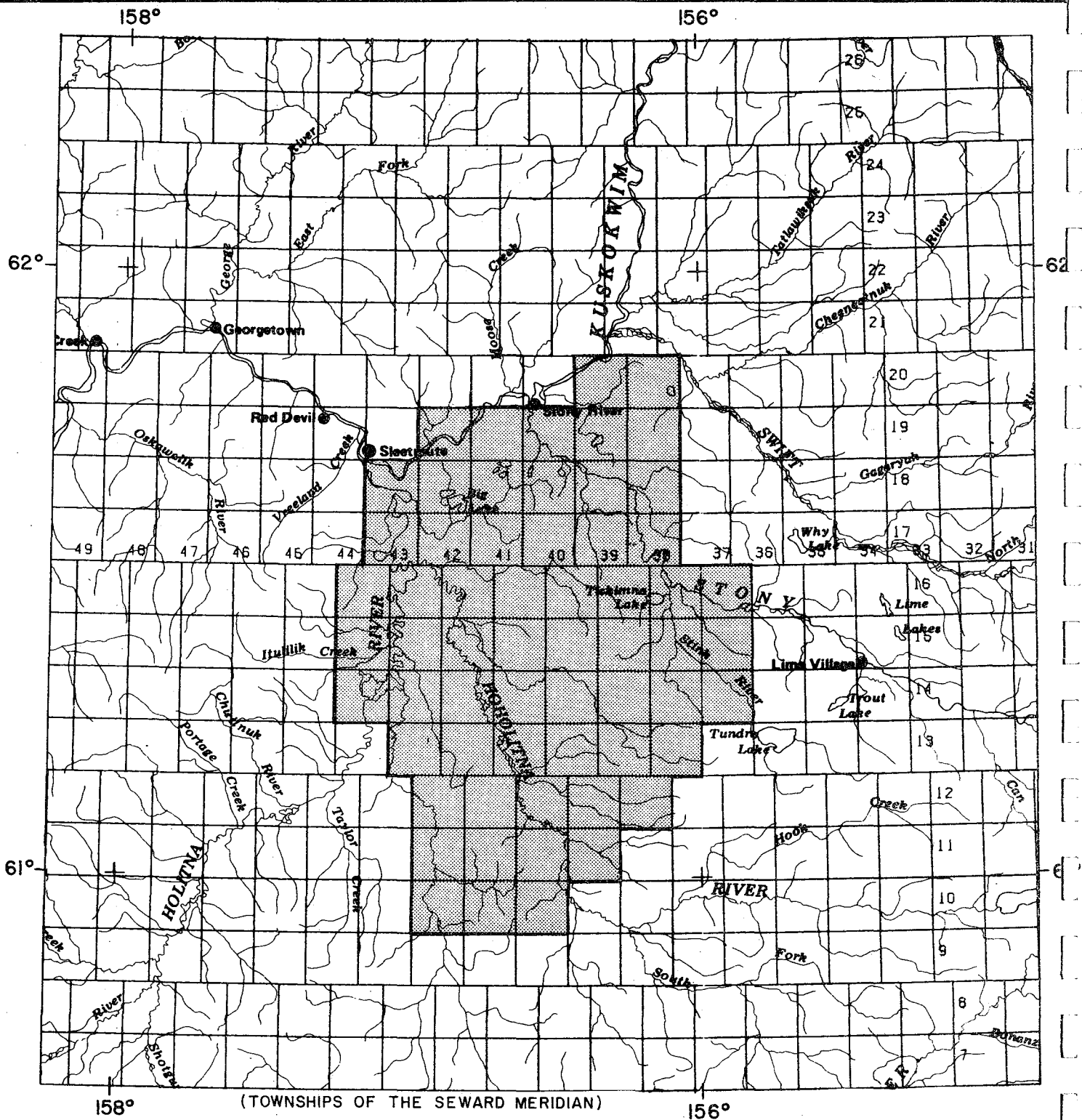
The Bristol Bay Cooperative Management Plan, which was required in the Alaska National Interest Lands Act, is being prepared for the region and is projected to be completed in early 1984. In addition, the sale area encompasses two coastal management districts. The Bristol Bay Borough distributed a public hearing draft of the Bristol Bay Cooperative Management Plan in October 1982. The program will likely be submitted to the Coastal Policy Council in early 1983. The Bristol Bay Coastal Resource Service Area, which encompasses much of the land around Bristol Bay, with the exception of the Bristol Bay Borough, has been formed and members of the Board have been elected. It is likely that a plan will be submitted to the Coastal Policy Council in 1984.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Aleknagik	Second class city	154
Bristol Bay Borough	Second class borough	1,094
King Salmon	Unincorporated	545
Naknek	Unincorporated	318
South Naknek	Unincorporated	145
Clark's Point	Second class city	79
Dillingham	First class city	1,563
Egegik	Unincorporated	75
Ekwok	Unincorporated	77
New Stuyahok	Second class city	331
Port Heiden	Second class city	92
Igivgig	Unincorporated	33
Illiamna	Unincorporated	94
Kokhanok	Unincorporated	83
Koliganek	Unincorporated	117
Levelock	Unincorporated	79
Pilot Point	Unincorporated	66
Portage Creek	Unincorporated	48

\*Population estimates based on 1980 Census Figures.

Status of Sale: No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in July, 1984.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 46**  
**HOLITNA BASIN**

SCALE 1:1,000,000 1 inch = 16 Miles

DIRECTOR, D.M.E.M.  
KAY BROWN

LEASING MANAGER,  
PAMELA ROGERS

*Kay Brown*

*Pamela Rogers*

DRAWN BY  
O.D.S.

CHECKED BY  
WRH

DATE APPROVED 12/16/82

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NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AR

Date Scheduled: January, 1985.

Description of Sale Area: The area to be included in the Call for Nominations and Comments is defined by the approximate limits of the Holitna geological basin, which is located approximately eighty miles south of McGrath.

Petroleum Potential: Petroleum potential in the area is considered low.

Other Resources: The Holitna River and its tributaries constitute one of the major drainages of the Kuskokwim River, and it is probably the major king salmon spawning stream in the Kuskokwim drainage. Salmon produced in the Holitna River system contribute significantly to both the commercial and subsistence fisheries of the Kuskokwim district. Sheefish, several varieties of whitefish and cisco, Alaska black fish, northern pike, and burbot are other species commonly found in this river. High concentrations of moose occur in the Holitna drainage, and local residents hunt moose extensively throughout this region. Relatively large populations of black bear and grizzly bear also inhabit this area. The Holitna drainage provides particularly important wintering habitat for caribou. Suitable wetland habitats support nesting waterfowl, and it is possible that small numbers of tule geese may be among the species utilizing these wetlands. Mergansers, pintails, green-winged teals, harlequin ducks, and sandhill cranes are other common nesting water birds. Several species of raptors are also found in the Holitna basin including rough-legged hawks, goshawks, osprey, and large numbers of nesting bald eagles, a species protected under both Federal and State law.

Community Information: The Holitna Basin lies adjacent to and south of the Kuskokwim River about two-thirds of the distance between Bethel and McGrath. Bethel serves the Lower Kuskokwim region as a regional center, and McGrath serves as a subregional center for the Upper Kuskokwim. Bethel is by far the largest community in the area, with a population of more than 3,500 persons. All of the other communities have populations of fewer than 450 persons. The population is predominantly Native in all communities, except McGrath.

There are no roads in the area, except local roads. Both McGrath and Bethel have asphalt airstrips more than 5,000' in length. At Aniak, near the northwestern extremity of the nomination area, there is a 5,000' gravel airstrip. Bethel has a dock. Goods could be transported by barge upriver, where there are several dock facilities.

The area from Bethel upriver just north of Tuluksak is part of the Yukon/Kuskokwim coastal resource service area which is developing a district coastal management program. Completion of a draft is anticipated in 1983. The City of Bethel is developing a coastal management program independent from that of the Yukon/Kuskokwim coastal resource service area. Bethel expects to complete its draft district coastal management program in early 1983.

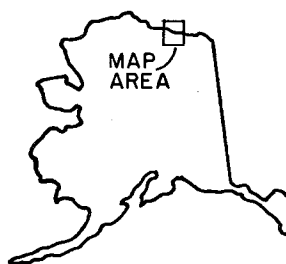
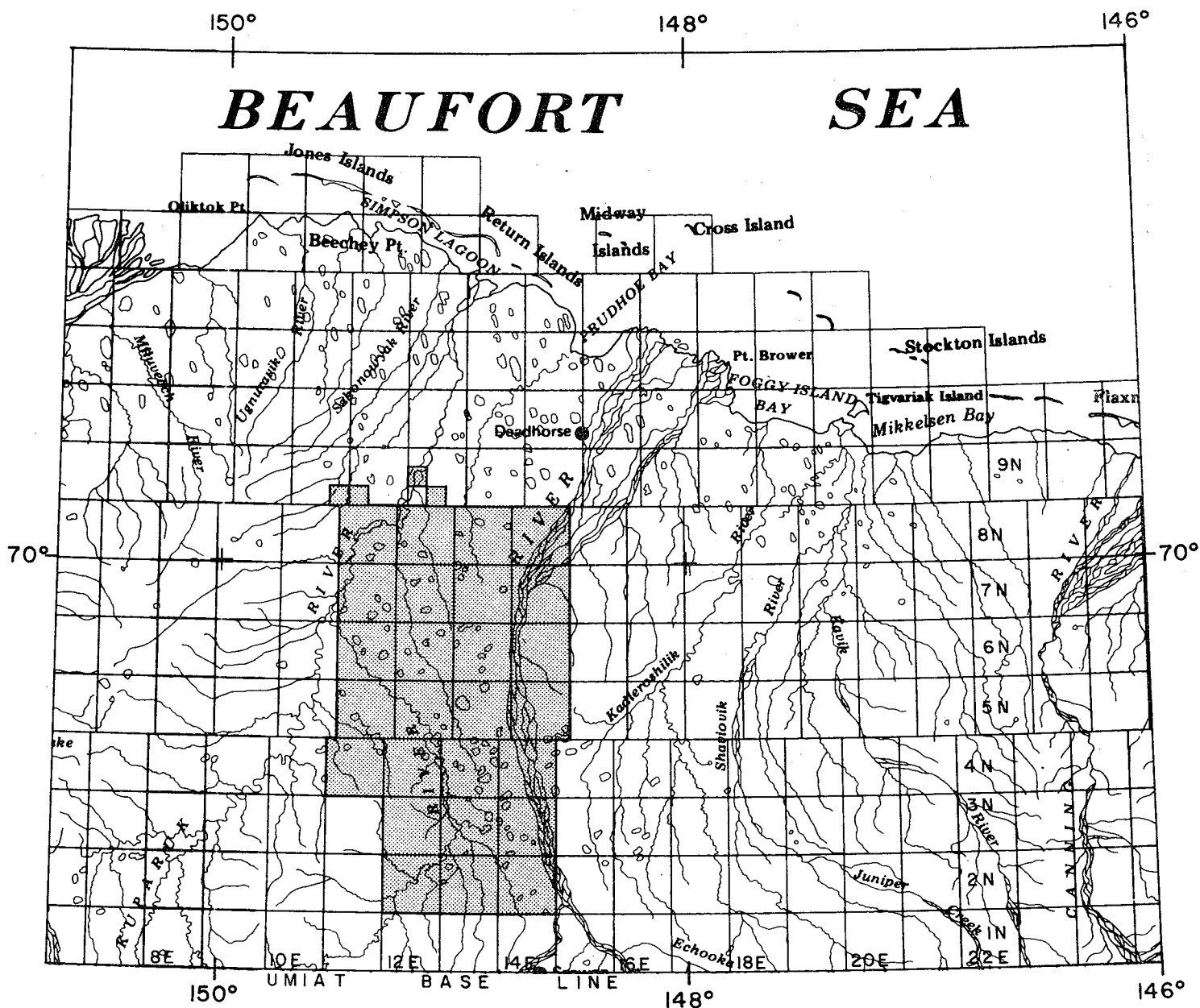
Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
McGrath	Second class city	355
Stony River	Unincorporated	62
Sleetmute	Unincorporated	107
Red Devil	Unincorporated	39
Georgetown	Unincorporated	---
Crooked Creek	Unincorporated	108
Napamiute	Unincorporated	---
Chuathbaluk	Second class city	105
Aniak	Second class city	341
Upper Kalskag	Second class city	129
Lower Kalskag	Second class city	246
Tuluksak	Second class city	236
Akiak	Second class city	198
Akiachak	Second class city	438
Bethel	Second class city	3,576
Lime Village	Unincorporated	48
Sparrevohn Station	Unincorporated	26

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in January, 1983. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in November, 1984.





STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 47**  
**KUPARUK UPLANDS**

SCALE 1:1,000,000 1 inch = 16 Miles

DIRECTOR, D.M.E.M.  
KAY BROWN

*Kay Brown*

LEASING MANAGER,  
PAMELA ROGERS

*Pamela Rogers*

DRAWN BY  
O.D.S.

CHECKED BY  
*WRH*

DATE APPROVED **12/16/82**

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UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



Date Scheduled: May, 1985.

Description of Sale Area: The area to be included in the Call for Nominations and Comments consists of state-owned lands southeast of the Kuparuk River oil field. The area encompasses all or portions of twenty-nine townships and contains approximately 600,000 acres. It extends from near the Kuparuk River on the west to near the Sagavanirktok River on the east and extends south from a line approximately nine miles south of Deadhorse to a line approximately six miles north of Sagwon.

Petroleum Potential: Petroleum potential in the area is considered to be moderate to high.

Other Resources: The Kuparuk Uplands supports a variety of terrestrial mammals and birds. Caribou from the Central Arctic Caribou Herd use the area, and the drainages of the Kuparuk and Sagavanirktok rivers are recognized migratory corridors for this herd. Other terrestrial mammals likely to be found in this area include arctic fox, wolverine, lemmings, and wolves. Grizzly bears may occur along the major river valleys, and have been known to range within 15-20 miles of the arctic coastline.

Millions of birds migrate through or near the area during the summer, stopping to feed or rest on the small tundra ponds that dot the landscape.

Freshwater fish resources include grayling, char, burbot and whitefish.

Community Information: The northern portion of the proposed lease sale area is included in the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district plan for the area and a public hearing draft is anticipated to be completed in mid-1983.

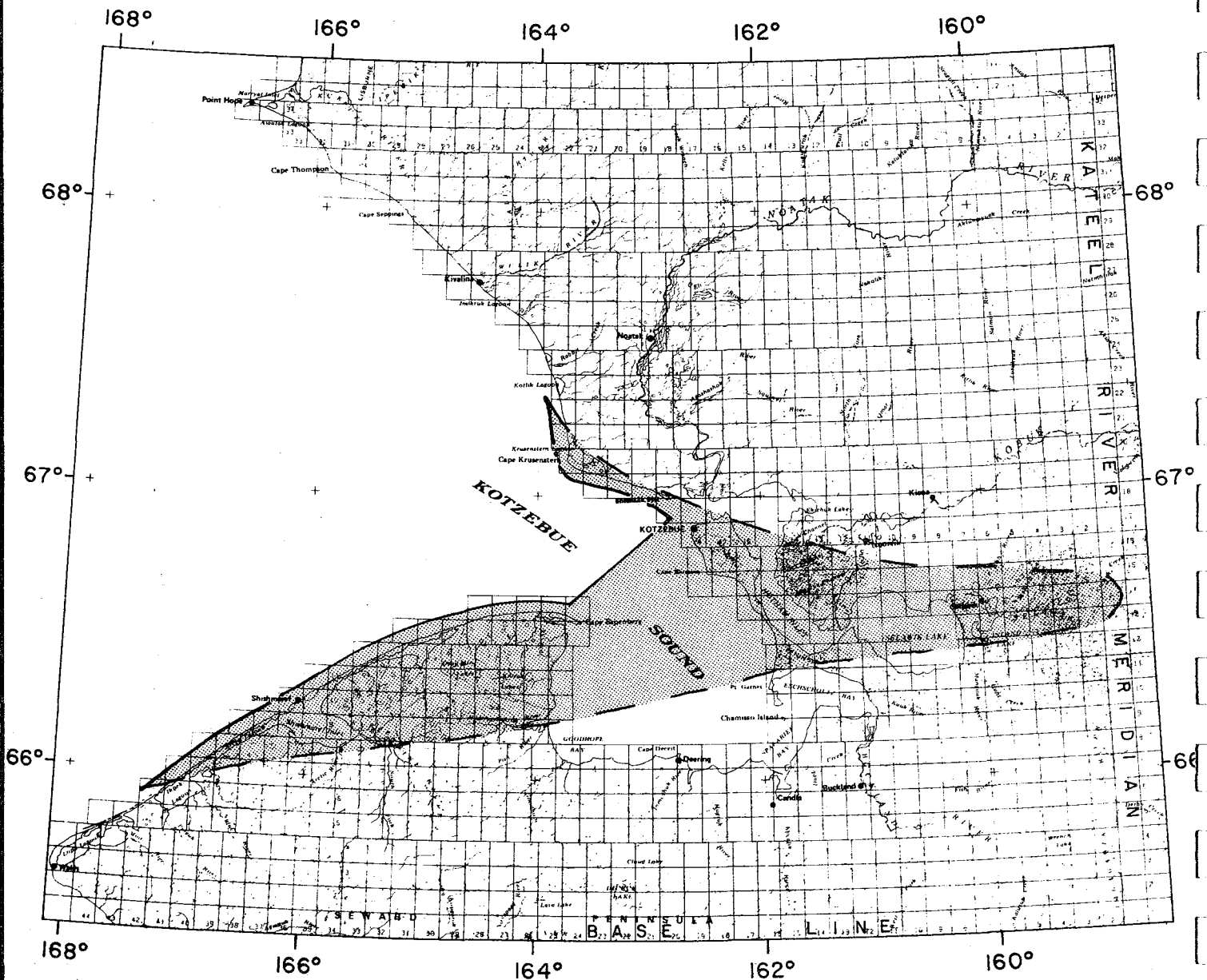
The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	---
Kaktovik	Second class city	212
Nuiqsut	Second class city	165

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in May, 1983. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in March, 1985.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 45**  
**HOPE BASIN**

SCALE 1:2,407,000 1 inch = 38 miles (Approximate)  
0 6 12 18 24 30 36 42 48 54 60 66 miles

DIRECTOR, D.M.E.M.  
KAY BROWN

*Fay Brown*

DRAWN BY  
O.D.S.

DATE APPROVED 12/16/82

LEASING MANAGER  
PAMELA ROGERS

*Pamela Rogers*

CHECKED BY  
WRH

BASE MAP COPY...  
ENVIRONMENTAL INFORMATION...  
RESERVED...  
UNIVERSAL TRANSVERSE MERCATOR  
PROJECTION ON SPHERE BOND

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



Date Scheduled: September, 1985.

Description of Sale Area: The area to be included in the Call for Nominations and Comments is defined by the approximate limits of the Hope geological basin. State-owned land in the basin primarily is limited to submerged lands.

Petroleum Potential: Petroleum potential in the area is considered to be low.

Other Resources: Kotzebue Sound is rich in bird life, with hundreds of thousands of birds utilizing the various coastal habitats in this region. May through September is a particularly dynamic time of year in terms of avian wildlife, when numerous species of waterfowl, shorebirds, and marine birds nest, summer, and migrate through this area. Over 200,000 waterfowl and shorebirds nest in Kotzebue Sound and there are 20 seabird colonies in this region. Chamisso Island is the largest seabird colony in Kotzebue Sound. During spring and fall migration, the number of birds utilizing wetlands of this region exceeds 400,000. Numerous species of raptors are found throughout this area, including the endangered peregrine falcon. Ringed seals are abundant during the winter when landfast ice is present, and bearded seals and spotted seals are common inhabitants during the summer months. Belukha whales are seasonally present in shallow waters, and large concentrations occur in Eschscholtz Bay, an important belukha whale calving area. The endangered bowhead whale and the Pacific walrus have been observed occasionally in Kotzebue Sound.

Anadromous fish such as chum, pink and red salmon, sheefish, whitefish, and arctic char are economically important resources and are harvested both by commercial and by subsistence resource users. The Kotzebue Sound chum fishery is the largest commercial fishing north of the Yukon River, with an annual commercial harvest of up to 628,000 fish. Marine species, including pelagic and bottom dwelling fish, occur in low densities. Herring are widely distributed throughout Kotzebue Sound in the fall and winter.

Community Information: The nomination area abuts portions of two regions: the Northwest Alaska region whose regional center is Kotzebue and the Bering Straits region whose regional center is Nome. Both Kotzebue and Nome have populations of over 2,000 persons, while the rest of the coastal communities in the area have populations of less than 500 persons. The population in the region is predominantly Native.

Nome is connected by unpaved road to Teller, Solomon, Pilgrim Hot Springs and Serpentine Hot Springs. All other roads are strictly local, although there is a trail linking communities along the coast south of Nome.

Kotzebue and Nome have airstrips approximately 6,000' long; all other airstrips in the area are less than 3,000' long. Communities in the area from Shishmaref south usually receive air service from Nome, while those further north receive air service from Kotzebue.

There are no docks in the area except the port of Nome, which can accommodate shallow-draft vessels. However, in Nome, as in other communities in the area, cargo delivered by deep-draft vessels must be lightered to shore by shallow-draft vessels. Water transportation can occur during ice-free periods, which occur from June to October in Norton Sound and from July to early October in Kotzebue Sound.

The NANA and Bering Straits Coastal Resource Service Areas (CRSA) of the Coastal Management Program will be affected by the sale. The NANA CRSA expects to have a public hearing draft of its program available in mid 1983 with action by the Coastal Policy Council projected to occur in late 1983. The first meeting of the Bering Straits CRSA was held in late September, 1980. A work program has been developed, and adoption of the coastal management program projected to occur in late 1983.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Kivalina	Second class city	241
Kotzebue	Second class city	2,054
Shishmaref	Second class city	394
Diomedes	Second class city	139
Wales	Second class city	133
Brevig Mission	Second class city	138
Teller	Second class city	212
Nome	First class city	2,301
Noorvik	Second class city	492
Selawik	Second class city	361
Buckland	Second class city	177
Deering	Second class city	150

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in September, 1983. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in July, 1985.

152°

150°

148°

# BEAUFORT SEA

HARRISON

BAY

Jones Islands

Atigaru Pt.

Oulitok Pt.

Beechey Pt.

Return Islands

Midway Islands

SIMPSON LAGOON

RUDHOFF BAY

70°

70°

152°

150°

148°

UMIAT BASE LINE

STATE OF ALASKA	
DEPARTMENT OF NATURAL RESOURCES	
DIVISION OF MINERALS AND ENERGY MANAGEMENT	
PROPOSED OIL AND GAS LEASE SALE 48	
KUPARUK UPLANDS	
SCALE 1:1,000,000 1 inch = 16 Miles	
10 0 10 20 30 40 50 Miles	
DIRECTOR, D.M.E.M. KAY BROWN <i>Kay Brown</i>	DRAWN BY O.D.S.
LEASING MANAGER, PAMELA ROGERS <i>Pamela Rogers</i>	CHECKED BY WRH
DATE APPROVED 12/16/82	
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NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



Date Scheduled: January, 1986.

Description of Sale Area: The area to be included in the Call for Nominations and Comments will include state-owned lands south of the Kuparuk River oil field. The area encompasses all or portions of twenty-eight townships, and contains approximately 560,000 acres. It extends from near the Itkillik River on the west to near the Kuparuk River on the east and extends south from leased state lands adjacent to the Kuparuk River field to a line approximately eighteen miles north of the Umiat Meridian.

Petroleum Potential: Petroleum potential in the area is considered to be moderate to high.

Other Resources: The Kuparuk Uplands nomination area supports a variety of terrestrial mammals and birds. Caribou from the Central Arctic Caribou Herd use the area, and the drainage of the Kuparuk River is a recognized migratory corridor for this herd. Other terrestrial mammals likely to be found in this area include arctic fox, wolverine, lemmings, and wolves. Grizzly bears may occur along the major river valleys, and have been known to range within 15-20 miles of the arctic coastline.

Millions of birds migrate through or near the area during the summer, stopping to feed or rest on the small tundra ponds that dot the landscape.

Freshwater fish resources include grayling, char, burbot and whitefish.

Residents of Nuiqsut use the area for fishing and hunting caribou and small mammals.

Community Information: The northern portion of the proposed lease sale area is included in the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district plan for the area, and a public hearing draft is anticipated to be completed in mid-1983.

The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

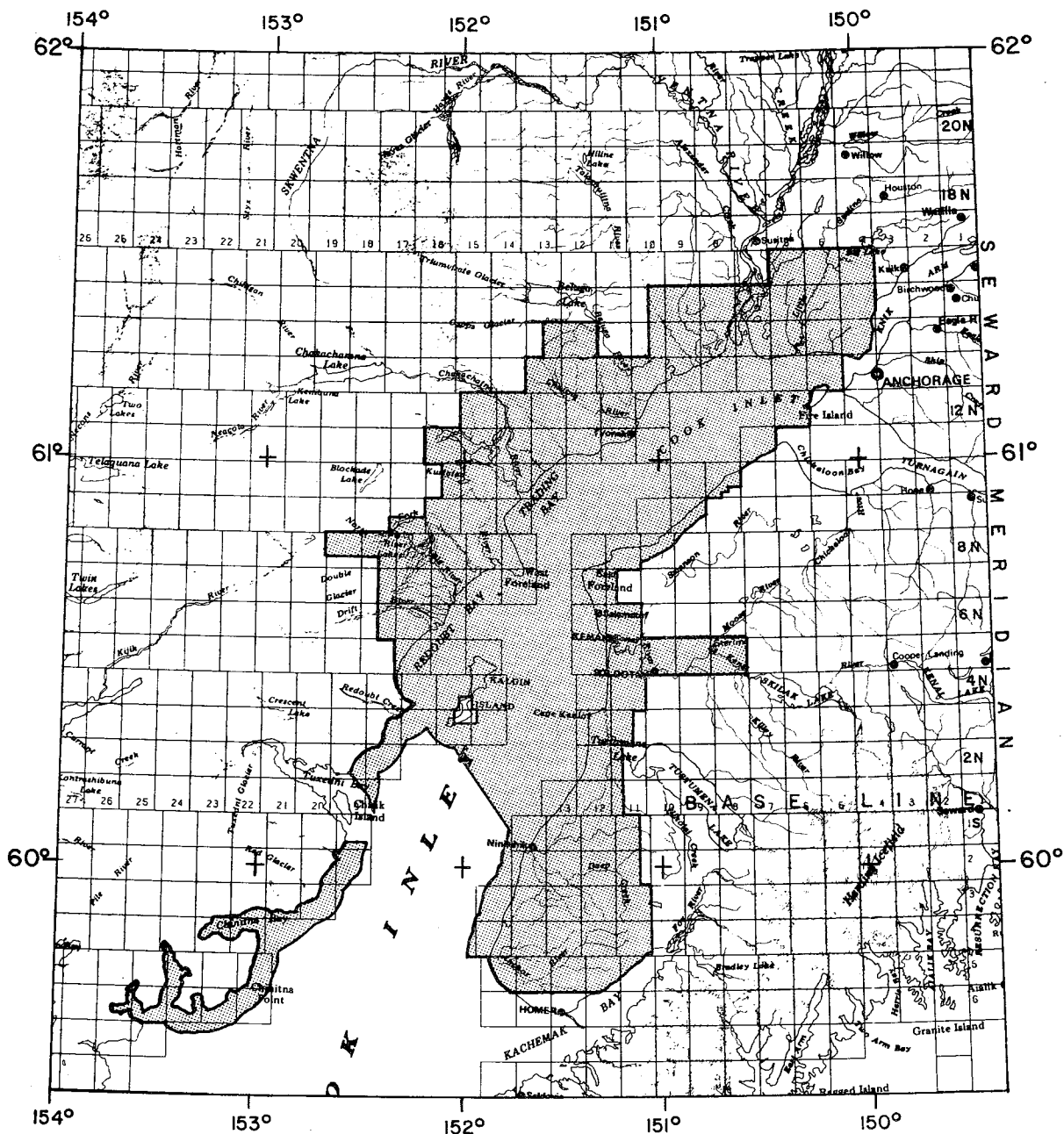
Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	---
Kaktovik	Second class city	212
Nuiqsut	Second class city	165

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in January, 1984. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in November, 1985.





STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 49**

**COOK INLET**

SCALE 1:1,774,000 1 inch = 28 miles (Approximate)

6 0 6 12 18 24 30 36 42 48 54 60 66 72

DIRECTOR, D.M.E.M.  
KAY BROWN

*Kay Brown*

LEASING MANAGER,  
PAMELA ROGERS

*Pamela Rogers*

DRAWN BY  
O.D.S.

CHECKED BY  
*WJH*

DATE APPROVED 12/16/82

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UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

PROPOSED SALE AREA



Date Scheduled: May, 1986.

Description of Sale Area: The area to be included in the Call for Nominations and Comments lies south of the village of Susitna and north of Augustine Island and is bordered by Turnagain Arm to the east and Crescent Lake to the west.

The acreage selected for leasing will consist of available state-owned uplands and submerged lands.

Petroleum Potential: Petroleum potential in the area is considered to be moderate.

Other Resources: Cook Inlet encompasses productive habitat for commercial species of shellfish and finfish, as well as numerous associated species of birds, fish, and marine mammals. Endangered animals known in the nomination area include peregrine falcons and finback and gray whales. The Clam Gulch (razor clam) State Critical Habitat Area, McNeil River State Game (brown bear) Sanctuary, and Tuxedni National Wildlife Refuge (seabirds) are in the vicinity of the nomination area. Kamishak Bay, which is south of the area, is an important fishing ground for king and tanner crabs, halibut, and herring. All five species of north Pacific salmon are commercially fished throughout Cook Inlet.

Numerous anadromous streams, several of which are major fish producers, exist in the vicinity of the nomination area. There also are important habitat areas for moose, black bear, brown bear, caribou, seabirds, waterfowl and marine mammals near or within the area.

The nomination area encompasses important commercial fishing areas as well as important recreational hunting and fishing areas.

Community Information: The nomination area is within the boundaries of two boroughs and the Municipality of Anchorage, all of which have district coastal management programs in varying stages of development. The Matanuska-Susitna Borough distributed a public hearing draft in late 1982 that will likely be submitted to the Coastal Policy Council in early 1983. The Municipality of Anchorage has received approval from the Alaska Coastal Policy Council for the Anchorage Coastal Management Program. The Kenai Peninsula Borough completed a draft coastal development plan, but after considerable public opposition the Borough decided not to complete a coastal management program.

Local communities include:

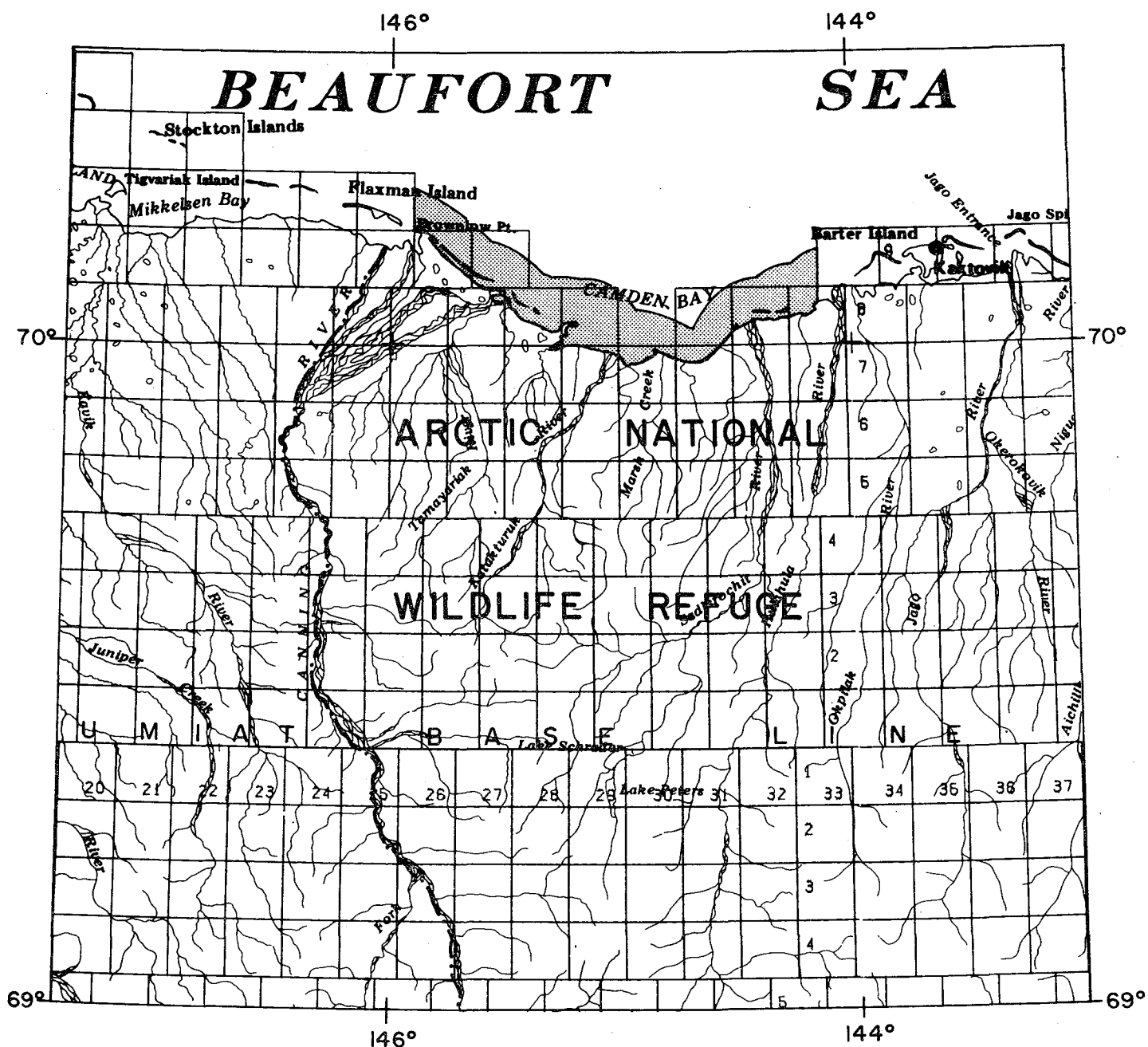
<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Kenai Peninsula Borough	Second class borough	25,282
Homer	First class city	2,209
Kachemak	Second class city	403
Kenai	Home rule city	4,324
Seldovia	First class city	479
Soldotna	First class city	2,320

(Local communities continued)

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
Clam Gulch	Unincorporated	50
Ninilchik	Unincorporated	341
Anchor Point	Unincorporated	226
Tyonek	Unincorporated	239
Matanuska-Susitna Borough	Second class borough	17,816
Houston	Second class city	370
Palmer	Home rule city	2,141
Wasilla	Second class city	1,559
Municipality of Anchorage	Unified home rule Municipality	174,431
Big Lake	Unincorporated	410

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in May, 1984. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in March, 1986.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
PROPOSED OIL AND GAS LEASE SALE 50  
CAMDEN BAY

SCALE 1:1,000,000 1 inch = 16 Miles  
10 0 10 20 30 40 50 Miles

DIRECTOR, D.M.E.M.  
KAY BROWN

*Kay Brown*

LEASING MANAGER,  
PAMELA ROGERS

*Pamela Rogers*

DRAWN BY  
O.D.S.

CHECKED BY  
WRH

DATE APPROVED 12/16/82

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NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



Date Scheduled: September, 1986.

Description of Sale Area: The area to be included in the Call for Nominations and Comments will consist of state-owned submerged lands extending three miles seaward from Flaxman Island to a point west of the Hulahula River. The Arctic National Wildlife Refuge is south of the nomination area. However, the State is not proposing at this time to offer the submerged lands lying between the coastline of the mainland and the barrier islands.

Title to the submerged lands between the coastline of the mainland and the barrier islands is in dispute, and is the subject of litigation pending before a Special Master appointed to hear the case for the United States Supreme Court.

The nomination map is meant to indicate submerged lands presently or potentially available for state oil and gas leasing. State ownership of submerged lands extends seaward to the three-mile limit.

Petroleum Potential: Petroleum potential in the area is considered to be moderate to high.

Other Resources: Information on the resources of Camden Bay are being acquired in a cooperative study effort pursuant to the Alaska National Interest Lands Conservation Act. After this information is obtained, the Department will be able to identify other resources in the area.

Community Information: The proposed lease sale is located within the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district plan for the area, and a public hearing draft is anticipated to be completed in mid-1983.

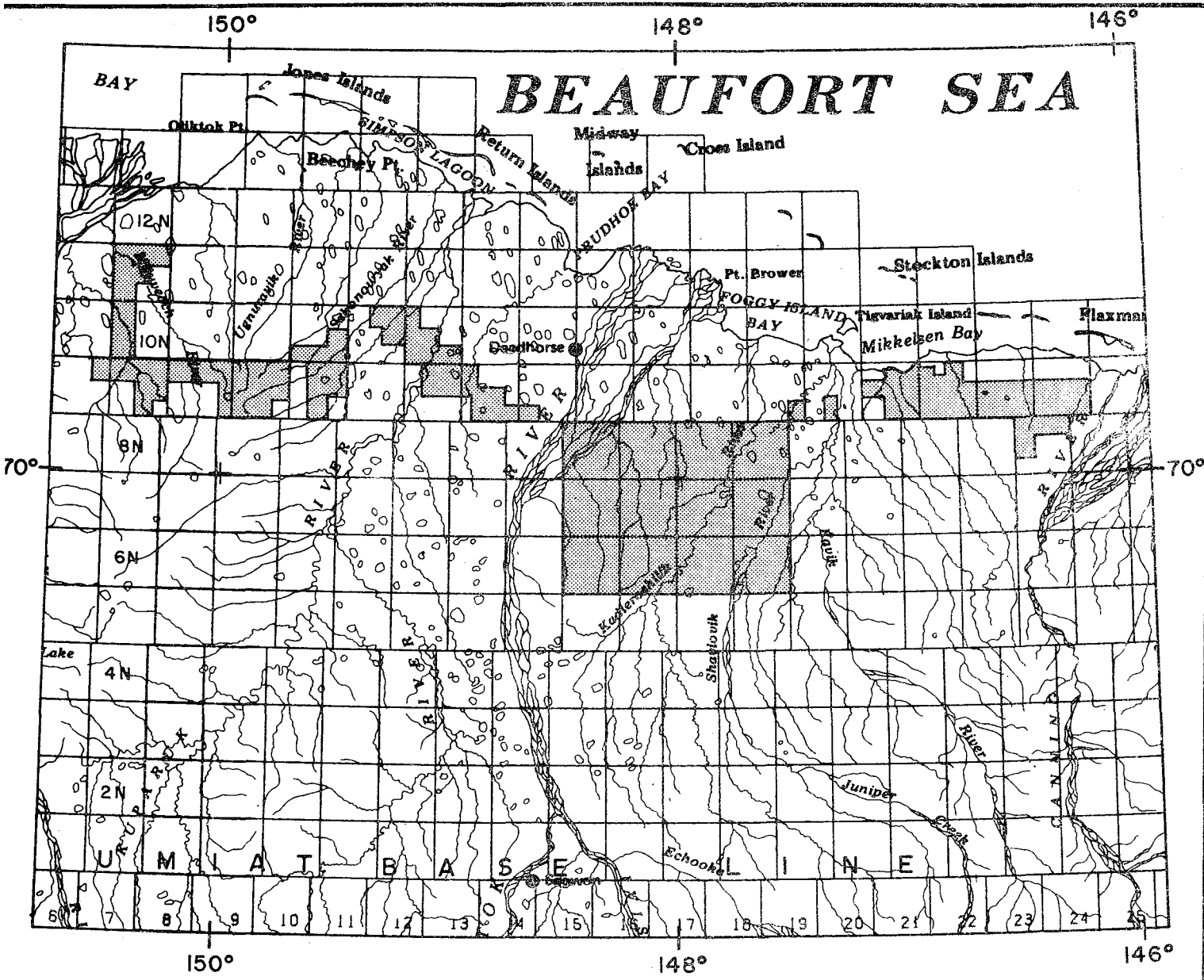
The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	9,234
Barrow	First class city	2,715
Prudhoe Bay/ Deadhorse	Unincorporated	---
Kaktovik	Second class city	192
Nuiqsut	Second class city	182

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Nominations and Comments will be distributed in September 1984. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in July, 1986.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
**PROPOSED OIL AND GAS LEASE SALE 51**  
**PRUDHOE BAY UPLANDS**

SCALE 1:1,000,000 1 inch = 16 Miles  
10 0 10 20 30 40 50 Miles

DIRECTOR, D.M.E.M. KAY BROWN <i>Kay Brown</i>	DRAWN BY O.D.S.
LEASING MANAGER, PAMELA ROGERS <i>Pamela Rogers</i>	CHECKED BY WPH

DATE APPROVED 12/16/82  
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 UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA

Date Scheduled: January, 1987.

Description of Sale Area: The proposed sale area consists of approximately 550,000 acres of state-owned upland acreage on the North Slope extending westward from the Canning River to the Colville River delta.

A major portion of the lease sale was deleted from State Competitive Oil and Gas Lease Sale 34 (Prudhoe Bay Uplands) held in September, 1982. Additional acreage may be added to this sale if active leases expire prior to the sale date. The proposed sale area is located about 20 miles southeast of Prudhoe Bay.

Petroleum Potential: Petroleum potential in the proposed sale area is considered to be moderate.

Other Resources: The Prudhoe Bay Uplands sale area supports a variety of terrestrial mammals and birds. The western limit of the range of the Porcupine Caribou Herd, with a population surpassing 100,000 animals, is located along the Canning River. Caribou from the Central Arctic Caribou Herd also use the area for calving and wintering purposes, and the Sagavanirktok River is a recognized migratory corridor for this herd. Other terrestrial mammals likely to be found in this area include arctic fox, wolverine, lemmings, and wolves. Grizzly bears may occur along the major river valleys, and have been known to range within 15-20 miles of the arctic coastline.

Millions of birds migrate through or near to this area during the summer, stopping to feed or rest on the small tundra ponds which dot the landscape. Several species of raptors, including endangered subspecies of the peregrine falcon, nest in the bluffs and cliffs of the Colville River; others like the snowy owl and marsh hawk may be found in shallow ground nests.

Freshwater fish resources include grayling, char, burbot and whitefish. Subsistence hunting and fishing occurs throughout the region, particularly in the Canning Rivers drainage.

Community Information: The proposed sale is within the area designated by the North Slope Borough as the "mid-Beaufort region" for coastal zone management purposes. The Borough submitted a coastal management program for this region to the Alaska Coastal Policy Council for review, but subsequently withdrew it. The plan is currently being revised, and a public hearing draft is anticipated to be ready for review in mid-1983.

The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.



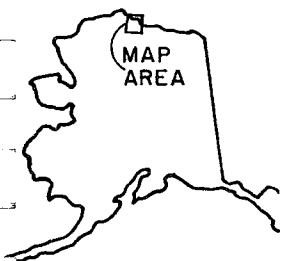
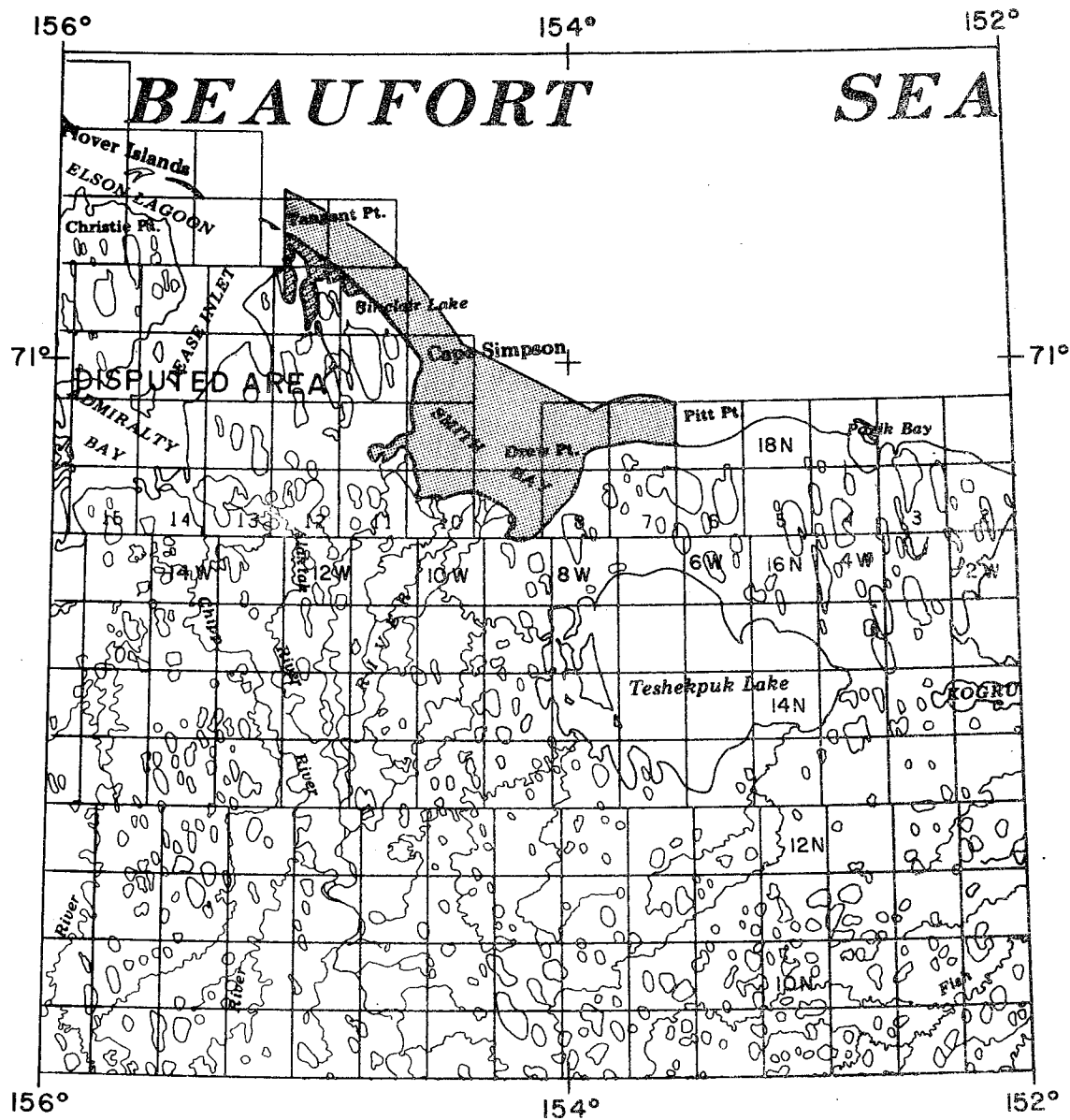
Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	212
Kaktovik	Second class city	165
Nuiqsut	Second class city	208

\*Population estimates based on 1980 census figures.

Status of Sale: The Call for Comments will be distributed in January, 1985.

No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in November, 1986.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
PROPOSED OIL AND GAS LEASE SALE 52  
BEAUFORT SEA

SCALE 1:1,000,000 1 inch = 16 Miles

10 0 10 20 30 40 50 Miles

DIRECTOR, D.M.E.M.  
KAY BROWN

*Kay Brown*

DRAWN BY  
O.D.S.

DATE APPROVED 12/16/82

LEASING MANAGER,  
PAMELA ROGERS

*Pamela Rogers*

CHECKED BY  
WRAH

BASE MAP: © COPYRIGHT ARCTIC ENVIRONMENTAL INFORMATION AND DATA CENTER 1978. ALL RIGHTS RESERVED, INCLUDING REPRODUCTION IN WHOLE OR IN PART IN ANY FORM. UNIVERSAL TRANSVERSE MERCATOR PROJECTION ON SIX DEGREE BANDS.

NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



DISPUTED AREA



Date Scheduled: May, 1987.

Description of Sale Area: The area included in the Call for Nominations and Comments consists of approximately 135,000 acres of state-owned submerged lands offshore of the National Petroleum Reserve, Alaska extending from Pitt Point on the east to Tangent Point on the west.

Petroleum Potential: Petroleum potential in the area is considered to be moderate to high.

Other Resources: The area supports populations of marine, anadromous, and freshwater fish; waterfowl; seals; bowhead and belukha whales; and polar bears.

The area is used for subsistence by the residents of Nuiqsut and Barrow.

Community Information: The sale area is included within the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district program for the area, and a public hearing draft is anticipated in mid-1983.

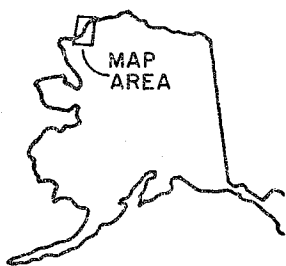
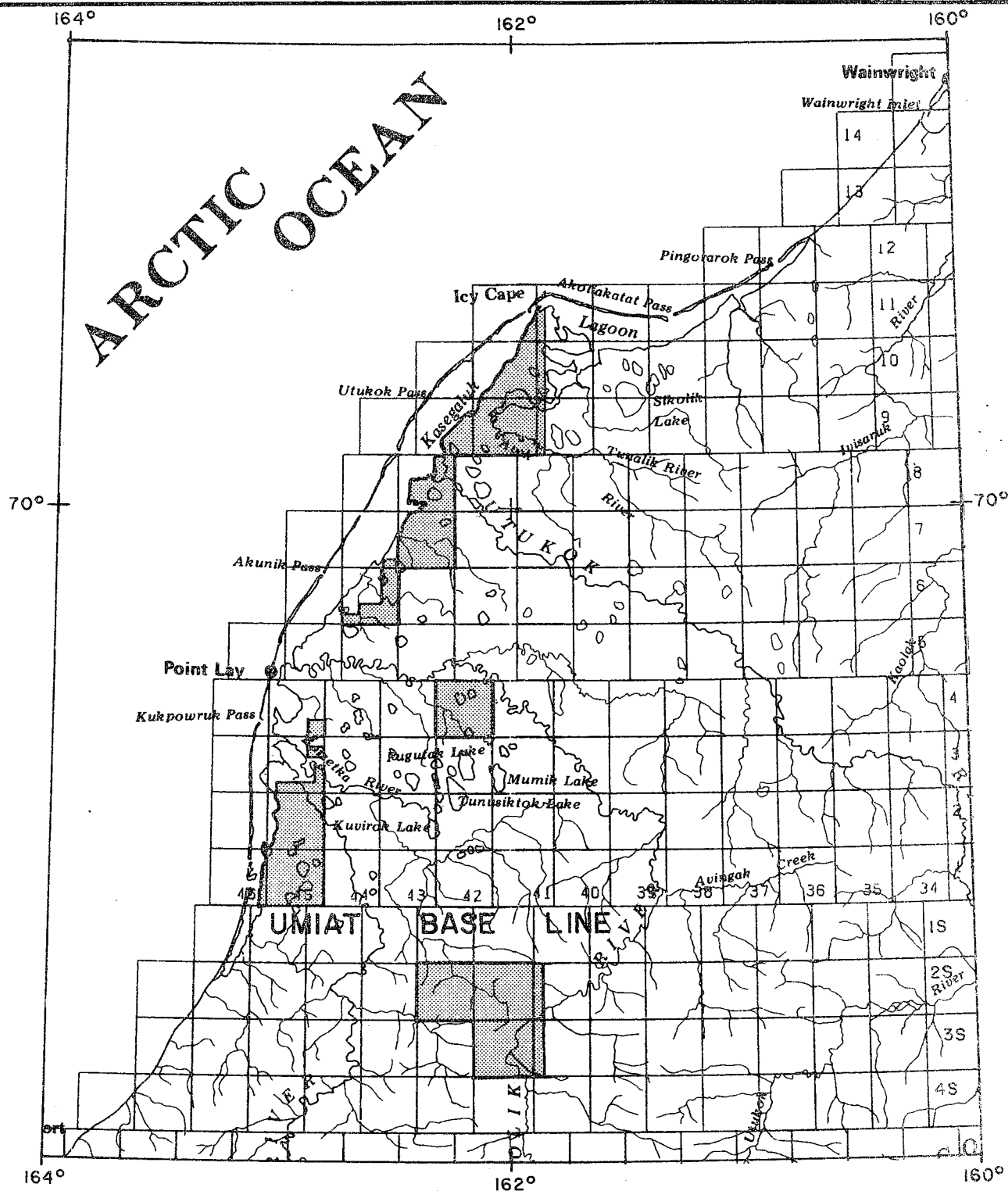
The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Prudhoe Bay/ Deadhorse	Unincorporated	212
Kaktovik	Second class city	165
Nuiqsut	Second class city	208
Wainwright	Second class city	405

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Comments will be distributed in May, 1985. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in March, 1987.



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
PROPOSED OIL AND GAS LEASE SALE 53  
ICY CAPE

SCALE 1:1,000,000 1 inch = 16 Miles  
10 0 10 20 30 40 50 Miles

DIRECTOR, D.M.E.M.  
KAY BROWN

*Kay Brown*

DRAWN BY  
O.D.S.

DATE APPROVED 12/16/82

LEASING MANAGER,  
PAMELA ROGERS

*Pamela Rogers*

CHECKED BY  
WPA

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NOTE: NO DECISION HAS YET BEEN MADE ON WHETHER THE STATE WILL HOLD THIS LEASE SALE. THE STATE IS GATHERING SOCIAL, ENVIRONMENTAL, AND ECONOMIC INFORMATION ON WHICH TO BASE A DECISION.

NOMINATION AREA



Date Scheduled: September, 1987.

Description of Sale Area: The area included in the Call for Nominations and Comments consists of state-owned uplands between Icy Cape and Cape Beaufort west of the National Petroleum Reserve, Alaska. The sale area consists of about 261,000 acres.

Petroleum Potential: Petroleum potential in the area is considered to be low to moderate.

Other Resources: The Icy Cape uplands sale area contains black brant molting habitat and insect relief habitat for Western Arctic Herd caribou. In some years, caribou also calve in the proposed sale area along the Kokolik River. Kasegaluk Lagoon, which is adjacent to the proposed sale area, supports large numbers of belukha whales, spotted seals, and sea ducks, principally oldsquaw and king eiders.

Community Information: The sale area is included within the interim boundaries of the Alaska Coastal Management Program. The North Slope Borough is preparing a district program for the area, and a public hearing draft is anticipated in mid-1983.

The North Slope Borough has recently adopted a Comprehensive Plan and Land Management Regulations that may impose restrictions on oil and gas activity in the proposed sale area.

Local communities include:

<u>Community</u>	<u>Municipal Classification</u>	<u>*Population</u>
North Slope Borough	Home rule borough	4,199
Barrow	First class city	2,207
Kaktovik	Second class city	165
Nuiqsut	Second class city	208
Wainwright	Second class city	405
Point Lay	Unincorporated	68
Point Hope	Second class city	464
Cape Lisburne	Unincorporated	36
Kotzebue	Second class city	2,054
Kivalina	Second class city	241
Noatak	Unincorporated	273

\*Population estimates based on 1980 Census Figures.

Status of Sale: The Call for Comments will be distributed in September, 1985. No decision has yet been made on whether the state will hold this lease sale. The state is in the process of gathering social, environmental and economic information on which to base a decision. If it is determined that this sale will best serve the interests of the state, a written decision and notice of sale including terms of sale, bidding methods, tract map and mitigating measures will be issued in July, 1987.

## EXPLORATION INCENTIVE CREDIT PROPOSAL: Invitation to Comment

The Department of Natural Resources is proposing to extend the eligibility of exploration incentive credits to include geophysical data. Under this proposal, the Department would offer exploration incentive credits to industry in exchange for geophysical exploration data. The Department is authorized to award these credits under AS 38.05.180(i) which states in part:

"...The commissioner may also provide for credits to be earned by persons performing geophysical work on state land, if that work is performed during the two seasons immediately preceding an announced lease sale and on land included within the sale area and the geophysical information is made public following the sale. Credits may not exceed 50 percent of the cost of drilling or geophysical work."

The intent of the law is twofold: 1) to encourage exploration in high risk, rank wildcat areas and, 2) to increase the inventory of public information concerning Alaska's lands.

The proposed use of these credits for geophysical work is a logical extension of current Departmental policy. Beginning with Sale 36, held in May, 1982, and continuing with Sales 37 and 34, held in August and September 1982, the Department has offered exploration incentive credits for the drilling of exploratory wells. The credits have been tailored to meet the perceived geological and financial risks associated with a specific sale area. As of this writing, one major oil company has applied for credits to drill a well on a tract purchased in Sale 36.

The Department is currently revising its regulations covering geophysical exploration incentive credits. These proposed regulation changes must be adopted before geophysical credits can be granted.

The proposed regulation changes would:

- 1) require that the geophysical data gathered be submitted at least nine months before the announced sale date. This would give the Department sufficient time to integrate the data into its presale analysis; and
- 2) repeal 11 AAC 83.810(c) which states: "Geophysical information which accompanies any application for geophysical exploration incentive credit made under (a)(1)-(a)(3) of this section will be made public upon receipt." The statute specifies that the data is to be made public following the sale.

The department hereby gives notice of its intent to establish geophysical credits for certain proposed sales. Geophysical credits are being considered for Sale 45 (Hope Basin, September 1985), Sale 46 (Holitna Basin, January 1985) and Sale 53 (Icy Cape, September 1987). These areas can be characterized as rank wildcat, high risk areas.

The public is invited to comment on this proposal. Comments are due March 1, 1983. Comments should be submitted to the Director, Division of Minerals and Energy Management, Pouch 7-034, Anchorage, Alaska 99510.

## 1982 OIL AND GAS LEASE SALES RESULTS

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Since publication of the January 1982 Five-Year Leasing Program, the state has held five oil and gas lease sales: sales 35, 36, 37, 37A and 34.

Sale 35 was held in Anchorage on February 2, 1982. Approximately 596,000 acres in Lower Cook Inlet were offered for lease. Most of the acreage (96%) was offshore in an area the state and industry regarded as having a low probability of commercial hydrocarbons. The acreage was offered under a royalty bidding method with a minimum acceptable royalty bid of 12.5%. The bonus was fixed at \$10.00 per acre, and the initial lease term was 10 years.

Thirty-one of the 148 tracts offered received a total of 39 bids. Winning royalty bids ranged from a high of 37.6 percent (Tract 001) to 12.76 percent (Tracts 44 and 48). The average winning bid was 20.14%. The state received \$1,311,906.90 in fixed bonuses on 131,190.69 acres leased.

Sale 36 was held in Fairbanks on May 26, 1982, and offered prospective acreage in the Beaufort Sea area near Flaxman Island, as well as tracts previously offered but not leased in the 1979 Beaufort Sea sale. A total of 13 tracts covering 56,862 acres were offered for lease. All tracts received bids.

Sale terms included a minimum royalty of 12.5 percent and a 40 percent net profit share with the cash bonus as the bid variable. For the first time, the state offered firms exploration incentive credits of \$750 per foot drilled for the initial exploratory well on a given tract, not to exceed 40% of the total exploratory well costs. These credits are deductible against oil and gas royalty payable in value and rental payments payable to the state; or taxes payable under AS 43.55. In addition, the credits are assignable.

Thirty-seven bids were submitted on the 13 tracts. The winning bids totalled approximately \$32.58 million. Tract 011 received the highest bid of \$15.35 million or about \$6,400 per acre.

Fairbanks was the site of Sales 37 and 37A which were held on August 24, 1982. Sale 37 offered acreage in the Tanana and Copper River basins. Presale investigation suggested that both areas were of relatively low hydrocarbon potential. Lease terms included a 12.5 percent royalty and a 30 percent net profit share balanced by an exploration incentive credit of \$250 per foot drilled, not to exceed 30 percent of the exploratory well costs. The initial lease term was for seven years.

The state received 40 bids on 38 of the 217 tracts offered for Lease. All tracts receiving bids were in the Tanana region. Sale 37 generated \$562,948.90 in high bonus bids on 195,208.18 acres of land, or an average of \$2.88 per acre. ARCO Alaska Inc. was the high bidder on 14 tracts offering an average of \$6.15 per acre.

Sale 37A offered one tract of 1874.6 acres in the Kenai Peninsula. A fixed royalty of 43 percent was set for the tract, and the tract received two bonus bids. The high bid of \$97,479.20 or \$52.00 per acre was tendered by Texaco Inc.

Sale 34 was held on September 28, 1982 in Anchorage. This sale represented the largest offering of acreage in State history. Approximately 1,231,517 acres to the south and east of the Prudhoe Bay field were offered for lease.

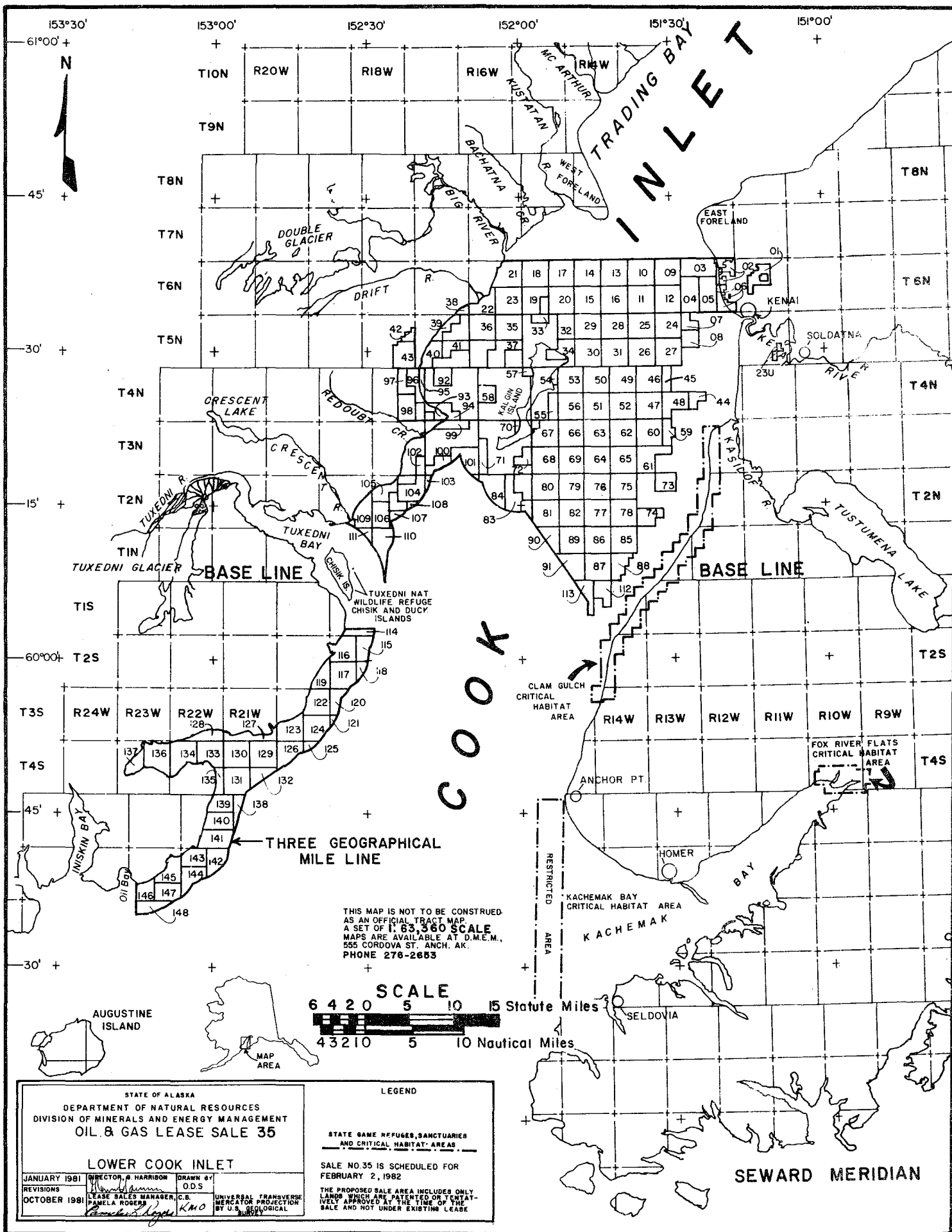
Two different bidding methods were employed. Tracts one through 14, encompassing the northeastern portion of the sale area, carried a 16.67 percent royalty, 40 percent net profit share and exploration incentive credits of \$500 per foot drilled. All but one of these tracts (001) received bids. The remainder of the sale area was offered with 12.5 percent royalty, 30 percent net profit share and accompanying exploration incentive credits of \$375 per foot drilled. All tracts carried an initial lease term of 10 years.

Of the 261 tracts offered, 119 received bids. Winning bids totalled \$26,713,018.17 on 571,954 acres, or an average winning bid of \$46.70 per acre. Tract 005 received the highest winning bid of \$987.80 per acre by ARCO Alaska Inc.

Tables 6 through 10 present the lists of bids received at the 1982 lease sales. All bidders and each of their bids are noted on the tables. Table 11 summarizes the sale results of all competitive oil and gas lease sales held since 1959. Information such as acres offered, acres leased, amount bid per acre, and bonus received is tallied along with the number of tracts offered and the number leased. The bidding method utilized and brief description of each sale is presented on the second portion of Table 11. A summary of the current status of State of Alaska leases is shown on Table 12. More than three million acres of state land comprise more than 1,300 individual lease contracts. The majority of these leases were issued competitively with 254 leases issued noncompetitively and 128 conditionally. Conditional leases were issued on lands whose transfer to the State had not been tentatively approved at the time of the lease sale. The term of these leases will not begin until the lands are patented or tentatively approved.

Figure 2 illustrates the increase in the amounts of bonus bids received annually.





## LIST OF BIDS - LEASE SALE 35 (Feb. 2, 1982)

TABLE 6

Tract #	No. of Bids	Bidder	% ownership	Fixed Cash Bonus	Royalty
001	3	Wilfred L. Gray	100%	\$ 27,000.00	37.60090%
		Kelley Everette	5%	\$ 27,000.00	31.00000%
		Cliff Burglin	15%		
		Earl Cook	15%		
		Jeff Cook	10%		
		Joe Faulhaber	20%		
		M. E. Anderson	15%		
		Jim Dodson	10%		
		Jim Long	10%		
		Amarex, Inc.	100%	\$ 27,000.00	22.55707%
002	2	Kelley Everette	5%	\$ 18,250.70	29.00000%
		Cliff Burglin	15%		
		Jim Long	4%		
		Don Pruhs	19%		
		Mark Webber	19%		
		Ron Biggers	19%		
		Mike Cook	19%		
		Amarex, Inc.	100%	\$ 18,250.70	22.55707%
006	1	Kelley Everette	5%	\$ 23,719.00	31.00000%
		Cliff Burglin	20%		
		Joe Faulhaber	20%		
		Earl Cook	15%		
		Jeff Cook	10%		
		M. E. Anderson	10%		
		Jim Dodson	10%		
		Jim Lentine	10%		
010	1	Amarex, Inc.	100%	\$ 57,060.00	14.84648%
011	1	Amarex, Inc.	100%	\$ 57,210.00	14.84648%
012	1	* Tesoro	100%	\$ 57,600.00	24.58211%
013	1	Chevron U.S.A. Inc.	100%	\$ 57,600.00	12.95000%
014	1	Chevron U.S.A. Inc.	100%	\$ 57,060.00	12.95000%
019	1	Chevron U.S.A. Inc.	75%	\$ 44,410.00	16.95000%
		Beard Oil Company	25%		

## LIST OF BIDS - LEASE SALE 35 (Feb. 2, 1982)

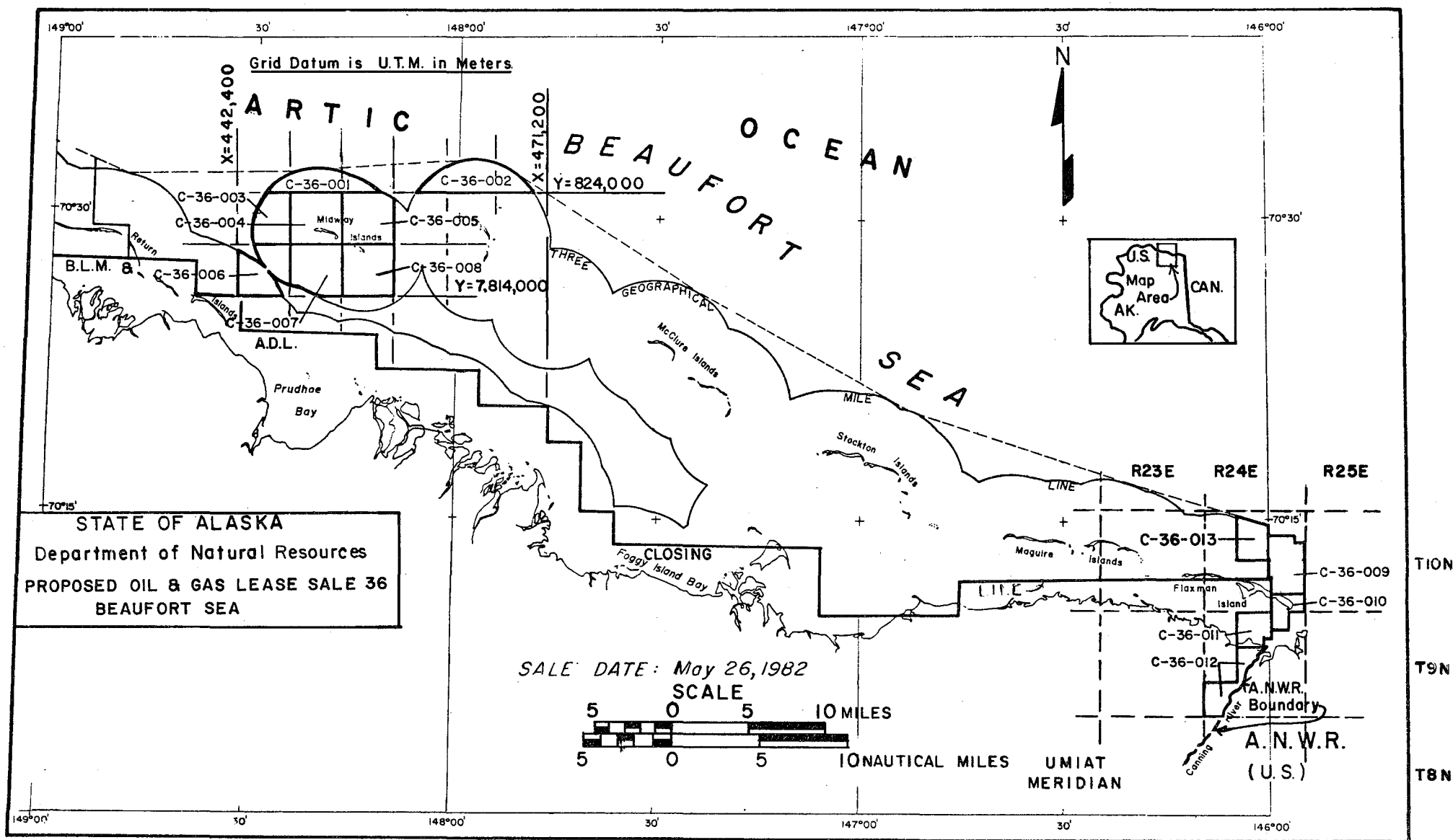
TABLE 6

Tract #	No. of Bids	Bidder	% ownership	Fixed Cash Bonus	Royalty
024	1	* Tesoro	100%	\$ 57,600.00	26.91253%
028	1	ARCO Alaska, Inc.	100%	\$ 57,600.00	21.40000%
031	1	ARCO Alaska, Inc.	100%	\$ 57,600.00	21.40000%
035	1	Chevron U.S.A. Inc. Beard Oil Company	75% 25%	\$ 57,600.00	16.95000%
037	1	Chevron U.S.A. Inc. Beard Oil Company	75% 25%	\$ 44,800.00	16.95000%
044	1	Union Oil Company of California	100%	\$ 18,530.00	12.76000%
048	1	Union Oil Company of California	100%	\$ 44,800.00	12.76000%
050	1	ARCO Alaska, Inc.	100%	\$ 56,460.00	21.40000%
057	2	Chevron U.S.A. Inc. Beard Oil Company	75% 25%	\$ 7,500.00	33.95000%
		Kelley Everette	5%	\$ 7,500.00	17.00000%
		Cliff Burglin	35%		
		Bill Moore	20%		
		Vernon Hines	20%		
		Paul Greimann	20%		
065	1	ARCO Alaska, Inc.	100%	\$ 57,600.00	16.80000%
070	2	Chevron U.S.A. Inc. Beard Oil Company	75% 25%	\$ 4,300.00	33.95000%
		Kelley Everette	5%	\$ 4,300.00	16.00000%
		Cliff Burglin	35%		
		Bill Moore	20%		
		Vernon Hines	20%		
		Paul Greimann	20%		
076	2	ARCO Alaska, Inc.	100%	\$ 56,540.00	16.60000%
		Chevron U.S.A. Inc.	100%	\$ 56,540.00	12.95000%
077	1	Chevron U.S.A. Inc.	100%	\$ 56,780.00	12.95000%
079	1	Chevron U.S.A. Inc.	100%	\$ 57,600.00	12.95000%
082	2	Chevron U.S.A. Inc.	100%	\$ 57,600.00	19.85000%
		ARCO Alaska, Inc.	100%	\$ 57,600.00	16.80000%

## LIST OF BIDS - SALE 35 (Feb. 2, 1982)

TABLE 6

Tract #	No. of Bids	Bidder	% ownership	Fixed Cash Bonus	Royalty
094	1	Monte J. Allen	30%	\$ 21,683.00	21.87889%
		Frank J. Novosel	50%		
		Johnie Jones	20%		
096		Kelley Everette	5%	\$ 25,726.50	16.00000%
		Cliff Burglin	25%		
		Joe Faulhaber	20%		
		Earl Cook	15%		
		Jeff Cook	10%		
		Jim Dodson	10%		
099	1	Monte J. Allen	30%	\$ 23,700.00	17.78999%
		Frank J. Novosel	50%		
		Johnie Jones	20%		
101	1	Chevron U.S.A. Inc.	100%	\$ 37,628.40	17.85000%
122	1	Chevron U.S.A. Inc.	100%	\$ 47,850.00	12.95000%
124	1	Chevron U.S.A. Inc.	100%	\$ 55,699.30	14.25000%
230	2	R. Dianne Stevens	100%	\$ 6,800.00	30.99999%
		Kelley Everette	5%	\$ 6,800.00	26.00000%
		Cliff Burglin	35%		
		Bill Moore	20%		
		Vernon Hines	20%		
		Paul Greilmann	20%		



## LIST OF BIDS - LEASE SALE 36 (May 26, 1982)

TABLE 7

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
1	3	Shell Oil Company	80%	108,250.00	28.24	21,650.00
		Murphy Oil Company	20%			
		Chevron U.S.A.	100%	104,555.00	27.28	20,911.00
		Kelley Everette	5%	26,831.00	7.00	5,500.00
		C. Burglin	15%			
		K. K. Everette	20%			
		M. Webber	10%			
		K. Scollan	10%			
		T. Tethal	10%			
		B. Burglin	20%			
		F. McGuilvary	10%			
002	2	Texaco Inc.	100%	3,750,670.94	672.15	750,134.19
		Kelley Everette	5%	39,067.00	7.00	8,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		F. McGuilvary	10%			
		M. Webber	10%			
		K. Scollan	10%			
		T. Tethal	10%			
		B. Burglin	20%			
003	1	Kelley Everette	5%	30,163.00	7.00	6,500.00
		C. Burglin	25%			
		K. K. Everette	20%			
		C. Slaybaugh	10%			
		B. Tollefson	10%			
		B. Burglin	30%			
004	2	Getty Oil Company	100%	1,153,000.00	202.52	230,600.00
		Kelley Everette	5%	39,858.00	7.00	8,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		J. Johnson	10%			
		Z. Gaffi	10%			
		B. Burglin	40%			

## LIST OF BIDS - LEASE SALE 36 (May 26, 1982)

TABLE 7

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
005	3	Getty Oil Company	100%	345,000.00	61.56	69,000.00
		Shell Oil Company	80%	72,852.00	12.99	14,570.40
		Murphy Oil Company	20%			
		Kelley Everette	5%	61,655.00	11.00	12,500.00
		C. Burglin	25%			
		K. K. Everette	20%			
		E. B. Ponack	10%			
		B. Tollefson	10%			
		B. Burglin	30%			
006	2	J. A. Bachner	40%	81,113.13	15.625	16,222.63
		J. F. Dieringer Jr.	20%			
		R. E. Wagner	40%			
		Kelley Everette	5%	57,123.00	11.00	12,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		J. Johnson	10%			
		B. Tollefson	10%			
		B. Burglin	40%			
007	1	Kelley Everette	5%	61,325.00	11.00	12,500.00
		C. Burglin	15%			
		K. K. Everette	20%			
		F. McGuilvary	10%			
		Z. Gaffl	10%			
		B. Tollefson	10%			
		B. Burglin	30%			
008	1	Kelley Everette	5%	39,858.00	7.00	8,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		E. B. Ponack	10%			
		B. Tollefson	10%			
		B. Burglin	40%			

## LIST OF BIDS - LEASE SALE 36 (May 26, 1982)

TABLE 7

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
009	6	Exxon Corp.	50%	4,224,852.00	990.84	844,970.40
		Sohio Alaska Pet. Co.	33.5%			
		B.P. Alaska Exploration Inc.	16.5%			
		Shell Oil Company	100%	1,037,000.00	243.20	207,400.00
		Amoco Prod. Co.	100%	302,310.00	70.90	60,462.00
		Mobil Oil Corp.	50%	238,525.00	55.95	47,705.00
		Chevron U.S.A. Inc.	50%			
		Kelley Everette	5%	89,544.00	21.00	18,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		M. Webber	10%			
		K. Scollan	10%			
		B. Burglin	40%			
		J. A. Bachner	40%	64,086.12	15.03	12,817.22
		J. F. Dieringer Jr.	20%			
		R. E. Wagner	40%			
010	4	Phillips Pet. Co.	50%	4,109,750.00	2,140.50	821,950.00
		Mobil Oil Corp.	50%			
		Exxon Corp.	50%	3,520,710.00	1,833.70	704,142.00
		Sohio Alaska Pet. Co.	33.5%			
		B.P. Alaska Exploration Inc.	16.5%			
		Shell Oil Company	100%	2,583,000.00	1,345.31	516,600.00
		Kelley Everette	5%	21,120.00	11.00	4,500.00
		C. Burglin	15%			
		K. K. Everette	20%			
		M. Webber	10%			
		B. Tollefson	10%			
		B. Burglin	40%			



## LIST OF BIDS - LEASE SALE 36 (May 26, 1982)

TABLE 7

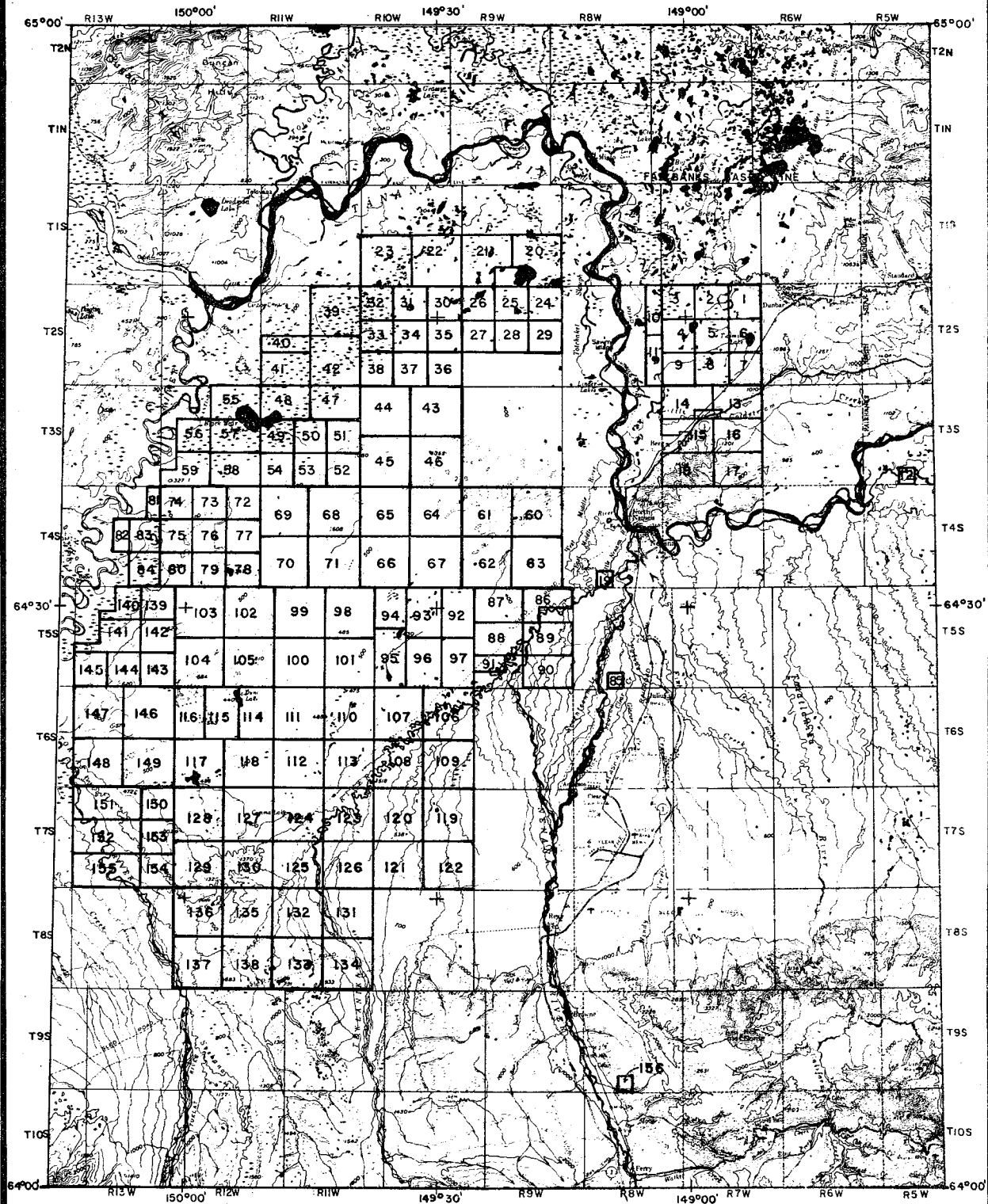
Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
011	6	Sohio Alaska Pet. Co.	86.66662%	15,355,000.00	6,397.916667	3,071,000.00
		B.P. Alaska Exploration Inc.				
		Phillips Pet. Co.	33.33334%	13,333,250.00	5,555.52	2,666,650.00
		Mobil Oil Corp.	33.33333%			
		Chevron U.S.A.	33.33333%			
		Gulf Oil Corp.	100%	1,027,416.77	428.09	205,483.56
		Kelley Everette	5%	28,800.00	12.00	6,000.00
		C. Burglin	15%			
		K. K. Everette	20%			
		T. Tethal	10%			
		M. Webber	10%			
		B. Burglin	40%			
012	5	Gulf Oil Corp.	100%	2,570,026.80	745.80	514,005.36
		Sohio Alaska Pet. Co.	100%	2,115,000.00	613.755078	423,000.00
		Phillips Pet. Co.	33.33334%	200,970.00	58.32	40,194.00
		Mobil Oil Corp.	33.33333%			
		Chevron U.S.A.	33.33333%			
		J. A. Bachner	40%	52,103.52	15.12	10,420.70
		J. F. Dieringer Jr.	20%			
		R. E. Wagner	40%			
		Kelley Everette	5%	41,352.00	12.00	8,500.00
		C. Burglin	15%			
		K. K. Everette	20%			
		F. McGuilvary	10%			
		C. Slaybaugh	10%			
		B. Tollefson	10%			
		B. Burglin	30%			

## LIST OF BIDS - LEASE SALE 36 (May 26, 1982)

TABLE 7

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
013	3	Exxon Corp.	50%	754,443.00	224.88	150,888.60
		Sohio Alaska Pet. Co.	33.5%			
		B.P. Alaska Exploration Inc.	16.5%			
		J. A. Bachner	40%	54,346.78	16.199997	10,869.36
		J. F. Dieringer Jr.	20%			
		R. E. Wagner	40%			
		Kelley Everette	5%	40,260.00	12.00	8,500.00
		C. Burglin	15%			
		K. K. Everette	20%			
		F. McGuilvary	10%			
		B. Tollefson	10%			
		B. Burglin	40%			

# MIDDLE TANANA BASIN PORTION OF SALE 37

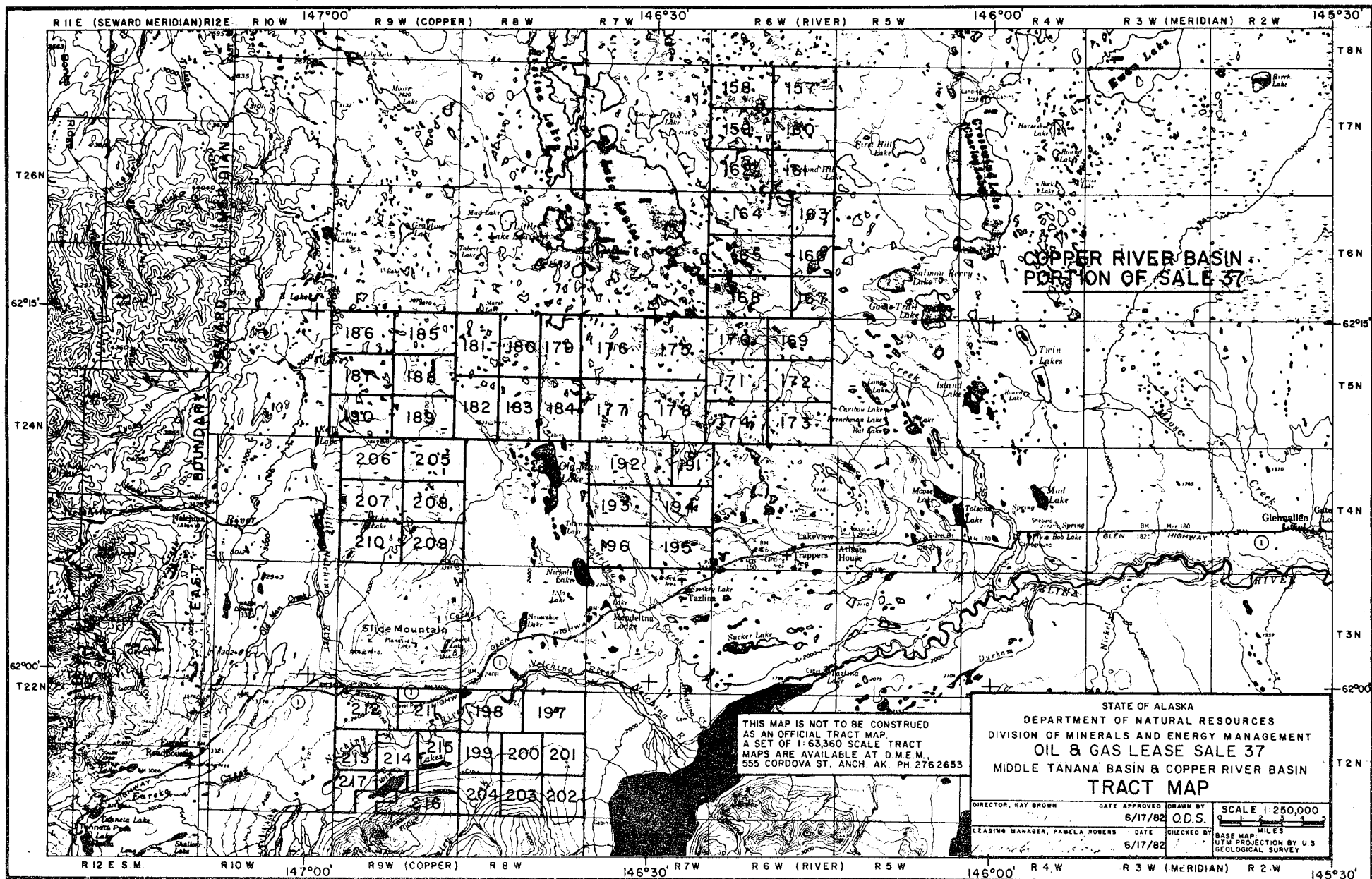


STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
OIL & GAS LEASE SALE 37  
MIDDLE TANANA BASIN & COPPER RIVER BASIN  
TRACT MAP

DIRECTOR, KAY BROWN  
DATE APPROVED 6/17/82  
DRAWN BY [Signature]  
CHECKED BY [Signature]  
LEADING MANAGER, PAMELA ROBERTS  
DATE 6/17/82  
UTM PROJECTION BY U.S. GEOLOGICAL SURVEY

SCALE 1:348,500  
0 1 2 3 4 5 6 7 8 9 10 MILES

THIS MAP IS NOT TO BE CONSTRUED  
AS AN OFFICIAL TRACT MAP  
A SET OF 1:63,360 SCALE TRACT  
MAPS ARE AVAILABLE AT D.M.E.M.,  
555 CORDOVA ST. ANCH. AK. PH. 276 2653



## LIST OF BIDS - LEASE SALE 37 (Aug. 24, 1982)

TABLE 8

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
005	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	3,456.00	1.35	1,000.00
006	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	3,462.75	1.35	1,000.00
007	1	C. Burglin K. Everette K. K. Everette J. Burglin	15% 5% 35% 45%	3,457.35	1.35	1,000.00
008	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	3,456.00	1.35	1,000.00
014	1	Tim Brockman	100%	5.00		1.00
042	1	Tim Brockman	100%	5.00		1.00
043	1	C. Burglin K. Everette K. K. Everette D. Burglin	15% 5% 35% 45%	6,336.00	1.10	1,500.00
045	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	7,715.25	1.35	2,000.00
046	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	6,336.00	1.10	1,500.00
060	1	Shell Oil Co.	100%	5,820.00	1.01	1,164.00
065	1	C. Burglin K. Everette K. K. Everette D. Burglin	15% 5% 35% 45%	7,739.55	1.35	2,000.00

## LIST OF BIDS - LEASE SALE 37 (Aug. 24, 1982)

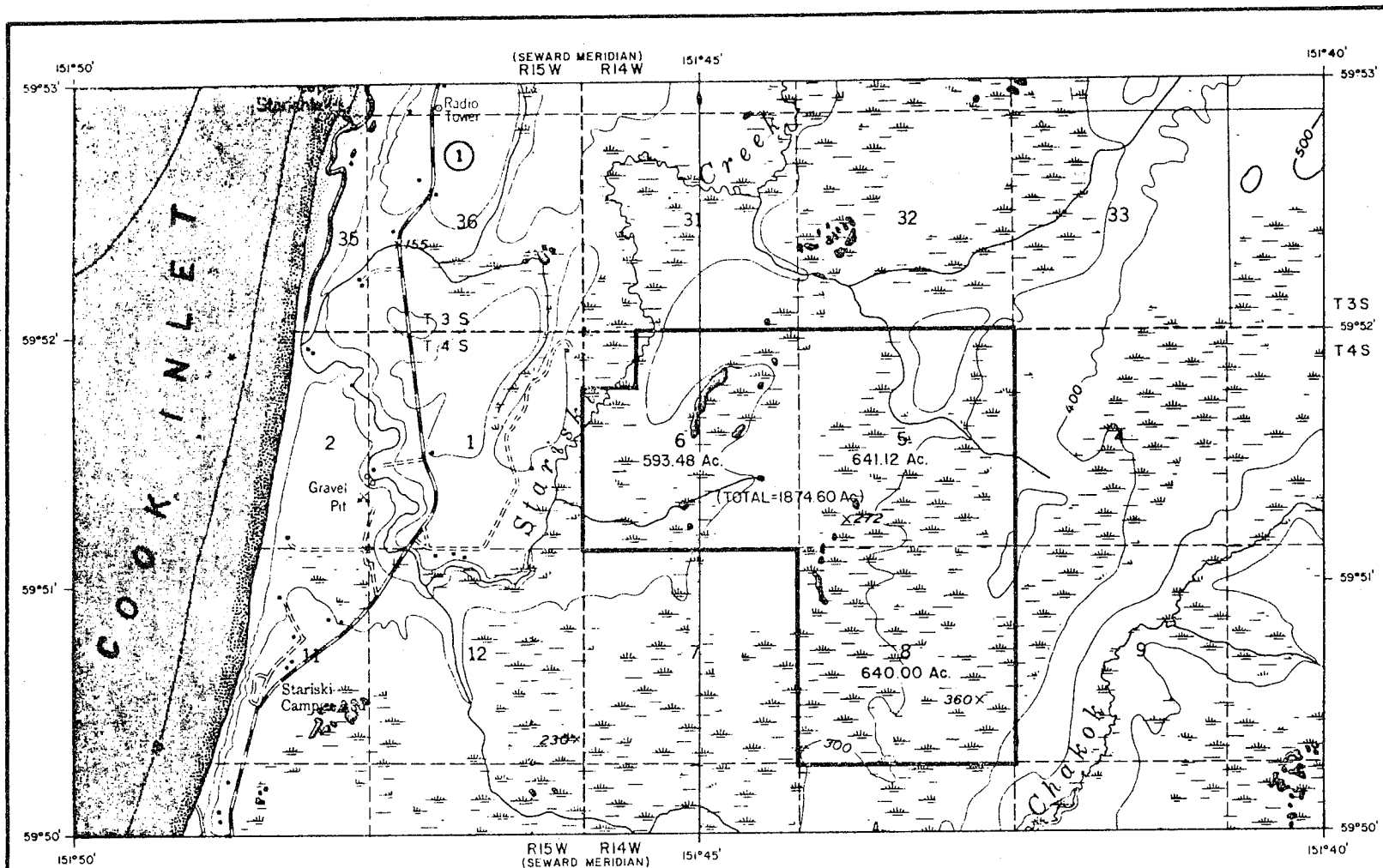
TABLE 8

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
066	1	C. Burglin K. Everette K. K. Everette Mary Gustafson	15% 5% 35% 45%	7,763.85	1.35	2,000.00
067	1	Tim Brockman	100%	5.00		1.00
069	1	Tim Brockman	100%	5.00		1.00
071	1	C. Burglin K. Everette K. K. Everette B. Burglin	15% 5% 35% 45%	7,776.00	1.35	2,000.00
095	1	Shell Oil Co.	100%	4,385.00	1.00	877.00
098	1	Shell Oil Co.	100%	5,820.00	1.01	1,164.00
101	1	Shell Oil Co.	100%	5,700.00	.98	1,140.00
104	1	Tim Brockman	100%	5.00		1.00
107	1	Shell Oil Co.	100%	5,720.00	1.01	1,144.00
108	1	Shell Oil Co.	100%	5,740.00	1.01	1,148.00
110	1	Shell Oil Co.	100%	5,820.00	1.01	1,164.00
112	1	Shell Oil Co.	100%	5,740.00	1.01	1,148.00
113	2	Shell Oil Co.	100%	5,820.00	1.01	1,164.00
		Tim Brockman	100%	5.00		1.00
123	1	ARCO Alaska, Inc.	100%	35,424.00	6.15	7,084.80
124	1	ARCO Alaska, Inc.	100%	35,036.55	6.15	7,007.31
125	1	ARCO Alaska, Inc.	100%	35,147.25	6.15	7,029.45
126	1	ARCO Alaska, Inc.	100%	35,424.00	6.15	7,084.80
127	1	ARCO Alaska, Inc.	100%	35,424.00	6.15	7,084.80
128	1	ARCO Alaska, Inc.	100%	35,036.55	6.15	7,007.31
129	1	ARCO Alaska, Inc.	100%	35,147.25	6.15	7,029.45
130	1	ARCO Alaska, Inc.	100%	35,424.00	6.15	7,084.80

## LIST OF BIDS - LEASE SALE 37 (Aug. 24, 1982)

TABLE 8

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
132	1	ARCO Alaska, Inc.	100%	35,257.95	6.15	7,051.59
135	2	ARCO Alaska, Inc.	100%	35,424.00	6.15	7,084.80
		Tim Brockman	100%	5.00		1.00
136	1	ARCO Alaska, Inc.	100%	35,257.95	6.15	7,051.59
137	1	ARCO Alaska, Inc.	100%	35,368.65	6.15	7,073.73
153	1	ARCO Alaska, Inc.	100%	15,744.00	6.15	3,148.80
154	1	ARCO Alaska, Inc.	100%	15,744.00	6.15	3,148.80



STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF MINERALS AND ENERGY MANAGEMENT  
COMPETITIVE OIL AND GAS LEASE SALE 37A  
CHAKOK RIVER  
TRACT MAP

SCALE 1:24,000 1"=2000'

1/2 1/4 0

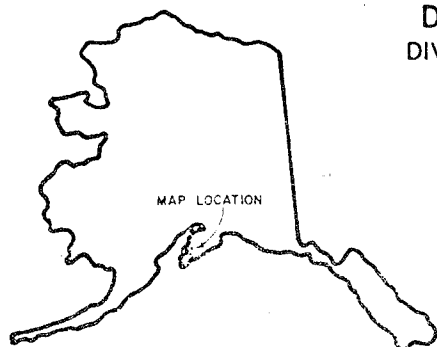
FEET 5000 4000 3000 2000 1000 0

DIRECTOR D.M.E.N. KAY BROWN	DRAWN BY O.D.S.	CHECKED BY WRN
LEASING MANAGER PAMELA ROGERS	DATE APPROVED 6/17/82	

LEGEND

BASE MAP  
U.S.G.S. SELDOVIA (D-5) QUADRANGLE  
1:63,360 SERIES (TOPOGRAPHIC)  
A PORTION OF SELDOVIA (D-5) HAS  
BEEN PHOTOGRAPHICALLY ENLARGED  
TO APPROXIMATELY 1:24,000 SCALE  
CONTOUR INTERVAL 100 FEET  
WATER DEPTH IN FEET  
STERLING HIGHWAY

PROPOSED TRACT

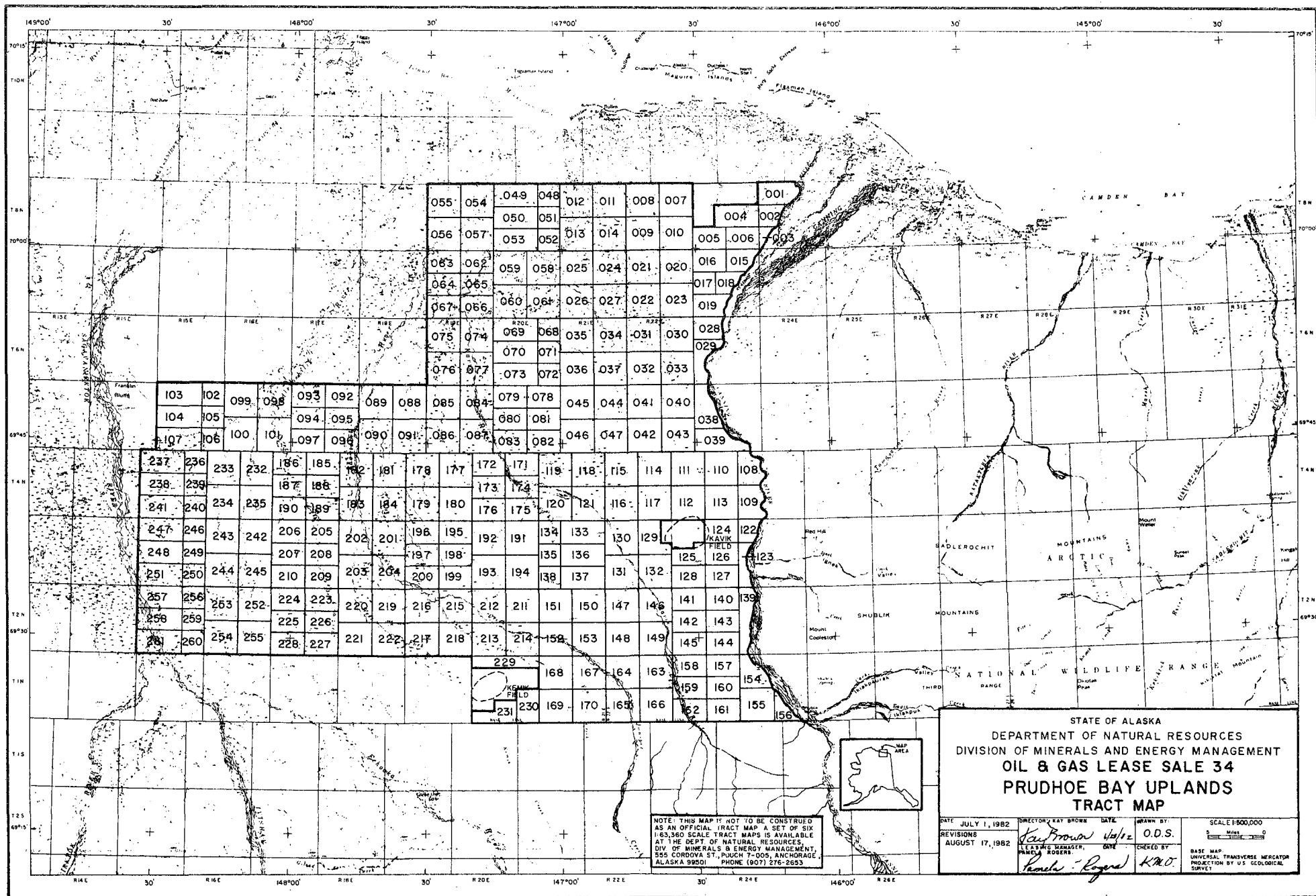




## LIST OF BIDS - LEASE SALE 37A (Aug. 24, 1982)

TABLE 9

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
37A	2	Texaco Inc.	100%	97,479.20	52.00	19,495.84
		Tim Brockman	100%	500.00		100.00



## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
002	1	ARCO Alaska, Inc.	50%	50,142.40	20.72	10,028.48
		Union Oil Company of California	50%			
003	2	ARCO Alaska, Inc.	50%	775,886.80	890.80	155,177.36
		Union Oil Company of California	50%			
		John Andrew Bachner	20%	14,423.76	16.56	2,884.76
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gilliam	10%			
004	2	ARCO Alaska, Inc.	50%	750,080.00	146.50	150,016.00
		Union Oil Company of California	50%			
		John Andrew Bachner	25%	39,270.40	7.67	7,854.08
		Ann Bachner	25%			
		Richard E. Wagner	50%			
005	2	ARCO Alaska, Inc.	50%	3,695,359.80	987.80	739,071.96
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	70,143.75	18.75	14,028.75
006	2	ARCO Alaska, Inc.	50%	2,757,004.80	717.97	551,400.96
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	21,312.00	5.55	4,262.40
007	2	John Andrew Bachner	25%	44,179.20	7.67	8,835.84
		Ann Bachner	25%			
		Richard E. Wagner	50%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
008	5	ARCO Alaska, Inc.	50%	935,152.50	167.50	187,030.50
		Union Oil Company of California	50%			
		B.P. Alaska Exploration Inc.	100%	845,205.00	151.39	169,041.00
		Murphy Oil Company	100%	110,264.25	19.75	22,052.85
		Shell Oil Company	50%	23,000.00	4.11	4,600.00
		Amoco Production Company	50%			
		Charles Weller	100%	5,917.98	1.06	1,184.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
009	5	ARCO Alaska, Inc.	50%	3,250,377.90	579.70	650,075.58
		Union Oil Company of California	50%			
		B.P. Alaska Exploration Inc.	100%	344,080.00	61.37	68,816.00
		Murphy Oil Company	100%	192,600.45	34.35	38,520.09
		Shell Oil Company	50%	51,000.00	9.09	10,200.00
		Amoco Production Company	50%			
		Charles Weller	100%	5,943.42	1.06	1,189.00
010	4	ARCO Alaska, Inc.	50%	5,127,033.60	890.11	1,025,406.72
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	197,856.00	34.35	39,571.20
		Shell Oil Company	50%	31,000.00	4.11	6,200.00
		Amoco Production Company	50%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
011	6	B.P. Alaska Exploration Inc.	100%	1,050,710.00	182.41	210,142.00
		ARCO Alaska, Inc.	50%	212,025.60	36.81	42,405.12
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	113,760.00	19.75	22,752.00
		Shell Oil Company	50%	61,000.00	10.59	12,200.00
		Amoco Production Company	50%			
		John Andrew Bachner	25%	44,179.20	7.67	8,835.84
		Ann Bachner	25%			
		Richard E. Wagner	50%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
012	3	ARCO Alaska, Inc.	50%	45,222.30	8.10	9,044.46
		Union Oil Company of California	50%			
		Shell Oil Company	50%	31,000.00	5.55	6,200.00
		Amoco Production Company	50%			
		Charles Weller	100%	5,917.98	1.06	1,184.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
013	2	Kelley Everette	5%	6,448.05	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by C. Burglin				
		P of A	20%			
		John J. Sexton by C. Burglin				
		P of A	20%			
		Bruce Burglin by C. Burglin				
		P of A	30%			
		Charles Weller	100%	5,943.42	1.06	1,189.00
014	4	ARCO Alaska, Inc.	50%	501,120.00	87.00	100,224.00
		Union Oil Company of California	50%			
		Shell Oil Company	50%	23,000.00	3.99	4,600.00
		Amoco Production Company	50%			
		Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by C. Burglin				
		P of A	20%			
		John J. Sexton by C. Burglin				
		P of A	20%			
		Bruce Burglin by C. Burglin				
		P of A	30%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
015	4	ARCO Alaska, Inc.	50%	212,025.60	65.44	42,405.12
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	111,294.00	34.35	22,258.80
		John Andrew Bachner	20%	16,459.00	5.08	3,291.84
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	3,726.00	1.15	1,000.00
		C. Burglin	25%			
		James Burglin (POA)	70%			
016	3	ARCO Alaska, Inc.	50%	227,310.60	60.60	45,462.12
		Union Oil Company of California	50%			
		Murphy Oil Company	100%	130,722.35	34.85	26,144.47
		Kelley Everette	5%	4,313.65	1.15	1,000.00
		C. Burglin	25%			
		Bruce Burglin by				
		C. Burglin P of A	70%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
017	4	Dyko Petroleum Corporation	100%	793,920.00	320.00	158,784.00
		Murphy Oil Company	100%	15,431.82	6.22	3,086.37
		John Andrew Bachner	20%	12,603.48	5.08	2,500.70
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	2,853.15	1.15	1,000.00
		C. Burglin	25%			
		Brian Burglin (POA)	70%			
018	4	Dyko Petroleum Corporation	100%	207,360.00	80.00	41,472.00
		Murphy Oil Company	100%	48,600.00	18.75	9,720.00
		John Andrew Bachner	20%	13,167.36	5.08	2,633.48
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	2,980.80	1.15	1,000.00
		C. Burglin	25%			
		David Burglin/by C. Burglin POA	70%			
019	4	Dyko Petroleum Corporation	100%	306,240.00	80.00	61,248.00
		Exxon Corporation	100%	22,000.00	5.74	4,400.00
		John Andrew Bachner	20%	19,446.24	5.08	3,889.25
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	4,402.20	1.15	1,000.00
		C. Burglin	95%			
020	3	Dyko Petroleum Corporation	100%	172,800.00	30.00	34,560.00
		Murphy Oil Company	100%	35,827.20	6.22	7,165.44
		Charles Weller	100%	6,105.60	1.06	1,222.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
021	2	Dyko Petroleum Corporation	100%	168,900.00	30.00	33,780.00
		Charles Weller	100%	5,967.80	1.06	1,194.00
022	2	Exxon Corporation	100%	142,000.00	25.11	28,400.00
		John Andrew Bachner	20%	28,722.32	5.08	5,744.47
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
023	4	Dyko Petroleum Corporation	100%	172,800.00	30.00	34,560.00
		Exxon Corporation	100%	145,000.00	25.17	29,000.00
		John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
026	2	John Andrew Bachner	20%	28,722.32	5.08	5,744.47
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Shell Oil Company	50%	10,500.00	1.85	2,100.00
		Amoco Production Company	50%			
027	1	John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
028	4	Dyko Petroleum Corporation	100%	264,640.00	80.00	52,928.00
		Exxon Corporation	100%	24,000.00	7.25	4,800.00
		John Andrew Bachner	20%	16,804.64	5.08	3,360.93
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Charles Weller	100%	3,506.48	1.06	702.00
029	3	Exxon Corporation	100%	208,000.00	50.15	41,600.00
		John Andrew Bachner	20%	21,066.76	5.08	4,213.36
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Charles Weller	100%	4,395.82	1.06	880.00
030	3	Exxon Corporation	100%	289,000.00	50.17	57,800.00
		John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Charles Weller	100%	6,105.60	1.06	1,222.00
031	2	Exxon Corporation	100%	51,000.00	8.98	10,200.00
		John Andrew Bachner	20%	28,839.16	5.08	5,767.84
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
032	1	Exxon Corporation	100%	143,500.00	25.17	28,700.00



## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
033	3	Exxon Corporation	100%	289,000.00	50.17	57,800.00
		John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		ARCO Alaska Inc.	50%	12,556.80	2.18	2,511.36
034	2	John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Shell Oil Company	50%	10,500.00	1.82	2,100.00
		Amoco Production Company	50%			
035	2	Shell Oil Company	50%	204,000.00	35.93	40,800.00
		Amoco Production Company	50%			
		John Andrew Bachner	20%	28,839.16	5.08	5,767.84
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
036	2	Shell Oil Company	50%	352,000.00	61.74	70,400.00
		Amoco Production Company	50%			
		Exxon Corporation	100%	36,000.00	6.31	7,200.00
037	2	Shell Oil Company	50%	102,000.00	17.70	20,400.00
		Amoco Production Company	50%			
		Exxon Corporation	100%	36,000.00	6.25	7,200.00
038	2	Chevron U.S.A. Inc.	100%	53,012.00	10.63	10,602.40
		ARCO Alaska Inc.	50%	37,901.20	7.60	7,580.24
		Union Oil Company of California	50%			
040	2	Exxon Corporation	100%	41,000.00	7.11	8,200.00
		ARCO Alaska Inc.	50%	25,056.00	4.35	5,011.20
		Union Oil Company of California	50%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
041	1	Exxon Corporation	100%	41,000.00	7.16	8,200.00
044	2	Exxon Corporation	100%	289,000.00	50.17	57,800.00
		Shell Oil Company	50%	102,000.00	17.70	20,400.00
		Amoco Production Company	50%			
045	3	Exxon Corporation	100%	144,000.00	25.15	28,800.00
		Shell Oil Company	50%	102,000.00	17.81	20,400.00
		Amoco Production Company	50%			
		Kelley Everette	5%	6,583.75	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette (POA)	30%			
		John J. Sexton (POA)	20%			
		Bruce Burglin (POA)	30%			
046	1	Kelley Everette	5%	6,610.20	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette				
		by C. Burglin(POA)	30%			
		John J. Sexton (POA)				
		by C. Burglin(POA)	20%			
		Bruce Burglin (POA)				
		by C. Burglin (POA)	30%			
047	1	Exxon Corporation	100%	145,000.00	25.17	29,000.00
048	1	Charles Weller	100%	2,713.60	1.06	543.00
049	1	Charles Weller	100%	5,298.94	1.06	1,060.00
050	1	Charles Weller	100%	5,310.60	1.06	1,063.00
051	1	Charles Weller	100%	2,713.60	1.06	543.00
054	3	John Andrew Bachner	20%	22,406.40	3.89	4,481.28
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	25%			
		Mary Gustafson	70%			
		Charles Weller	100%	6,105.60	1.06	1,222.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
055	3	John Andrew Bachner	20%	21,717.87	3.89	4,343.58
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	6,420.45	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		David Burglin/by				
		C. Burglin, (POA)	30%			
		Charles Weller	100%	5,917.98	1.06	1,184.00
056	2	John Andrew Bachner	50%	14,466.06	2.58	2,893.21
		Richard E. Wagner	50%			
		Kelley Everette	5%	6,448.05	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Mary Gustafson/by				
		C. Burglin, (POA)	30%			
057	2	John Andrew Bachner	50%	14,860.80	2.58	2,972.16
		Richard E. Wagner	50%			
		Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Barbara Burglin/by				
		C. Burglin, (POA)	30%			
060	1	John Andrew Bachner	20%	7,180.58	1.27	1,436.12
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
061	2	John Andrew Bachner	20%	29,260.80	5.08	5,852.16
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Shell Oil Company	50%	10,500.00	1.82	2,100.00
		Amoco Production Company	50%			
062	2	John Andrew Bachner	20%	4,876.80	1.27	975.36
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Joseph Burglin/by				
		C. Burglin, (POA)	30%			
063	2	John Andrew Bachner	20%	4,763.77	1.27	952.76
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	4,313.65	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		James Burglin/by				
		C. Burglin, (POA)	30%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
064	2	John Andrew Bachner	20%	4,776.47	1.27	955.30
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	4,325.15	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Bruce Burglin/by				
		C. Burglin, (POA)	30%			
065	2	John Andrew Bachner	20%	4,876.80	1.27	975.36
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
		Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Brian Burglin/by				
		C. Burglin, (POA)	30%			
066	1	John Andrew Bachner	20%	4,876.80	1.27	975.36
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
067	1	John Andrew Bachner	20%	4,790.44	1.27	958.09
		James F. Dieringer, Jr.	5%			
		Ann Bachner	20%			
		Keith Forsgren	10%			
		Richard E. Wagner	35%			
		Janet M. Gillam	10%			
068	1	Shell Oil Company	50%	21,000.00	8.20	4,200.00
		Amoco Production Company	50%			
070	1	Shell Oil Company	50%	16,000.00	3.15	3,200.00
		Amoco Production Company	50%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
071	1	Shell Oil Company Amoco Production Company	50% 50%	226,000.00	88.28	45,200.00
072	1	Shell Oil Company Amoco Production Company	50% 50%	154,000.00	60.15	30,800.00
073	1	Shell Oil Company Amoco Production Company	50% 50%	31,000.00	6.09	6,200.00
074	1	John Andrew Bachner James F. Dieringer, Jr. Ann Bachner Keith Forsgren Richard E. Wagner Janet M. Gillam	20% 5% 20% 10% 35% 10%	7,315.20	1.27	1,463.04
075	1	John Andrew Bachner James F. Dieringer, Jr. Ann Bachner Keith Forsgren Richard E. Wagner Janet M. Gillam	20% 5% 20% 10% 35% 10%	7,209.79	1.27	1,441.96
076	2	John Andrew Bachner James F. Dieringer, Jr. Ann Bachner Keith Forsgren Richard E. Wagner Janet M. Gillam  Kelley Everette C. Burglin Arlin Hogenson/by C. Burglin (POA) Dean Morrison/by C. Burglin (POA) Mary Gustafson	20% 5% 20% 10% 35% 10%  5% 15% 30% 30% 20%	7,240.27      6,556.15	1.27      1.15	1,448.06      1,500.00
077	1	John Andrew Bachner James F. Dieringer, Jr. Ann Bachner Keith Forsgren Richard E. Wagner Janet M. Gillam	20% 5% 20% 10% 35% 10%	7,315.20	1.27	1,463.04
078	1	Shell Oil Company Amoco Production Company	50% 50%	127,000.00	33.07	25,400.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
084	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Arlin Hogenson/by				
		C. Burglin (POA)	30%			
		Dean Morrison/by				
		C. Burglin (POA)	30%			
Barbara Burglin/by						
C. Burglin (POA)	20%					
085	1	Kelley Everette	5%	6,583.75	1.15	1,500.00
		C. Burglin	15%			
		Donna Malone/by				
		C. Burglin (POA)	30%			
		Dean Morrison/by				
		C. Burglin (POA)	30%			
Joseph Burglin/by						
C. Burglin (POA)	20%					
087	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Donna Malone/by				
		C. Burglin (POA)	30%			
		Dean Morrison/by				
		C. Burglin (POA)	30%			
James Burglin/by						
C. Burglin (POA)	20%					
109	2	Kelley Everette	5%	5,080.70	1.15	1,500.00
		C. Burglin	15%			
		John Hagberg/by				
		C. Burglin (POA)	30%			
		Alan Johnston/by				
		C. Burglin (POA)	30%			
		Mary Gustafson	20%			
		Charles Weller	100%			
4,683.08	1.06	937.00				
112	1	Charles Weller	100%	5,945.54	1.06	1,190.00
113	1	Charles Weller	100%	6,105.60	1.06	1,222.00
117	1	Charles Weller	100%	6,105.60	1.06	1,222.00
118	1	Kelley Everette	5%	5,080.70	1.15	1,500.00
		C. Burglin	15%			
		John Hagberg/by				
		C. Burglin (POA)	30%			
		Alan Johnston/by				
		C. Burglin (POA)	30%			
Bruce Burglin						
by C. Burglin	20%					

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
119	1	Kelley Everette	5%	6,425.05	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		Angela D. Ryan/by				
		C. Burglin (POA)	20%			
120	2	ARCO Alaska, Inc.	50%	11,218.00	2.00	2,243.60
		Union Oil Company of California	50%			
	1	Kelley Everette	5%	6,450.35	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		Angela D. Ryan/by				
		C. Burglin (POA)	20%			
121	2	ARCO Alaska, Inc.	50%	11,001.60	1.91	2,200.32
		Union Oil Company of California	50%			
	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		Angela D. Ryan/by				
		C. Burglin (POA)	20%			
122	2	Barbara Burglin		2,673.75	1.15	1,000.00
		by C. Burglin	30%			
		Charles Weller	100%			
		Charles Weller	100%	2,464.50	1.06	493.00
		Charles Weller	100%			
		Charles Weller	100%			
123	2	Kelley Everette	5%	2,884.20	1.15	1,000.00
		C. Burglin	25%			
		Barbara Burglin/by				
		C. Burglin	70%	2,658.48	1.06	532.00
		Charles Weller	100%			
		Charles Weller	100%			
124	1	Charles Weller	100%	4,070.40	1.06	815.00



## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
125	1	Charles Weller	100%	3,331.58	1.06	667.00
126	2	Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		David Burglin				
		by C. Burglin	30%			
		Charles Weller	100%	4,070.40	1.06	815.00
127	1	Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		David Burglin				
		by C. Burglin	50%			
128	1	Charles Weller	100%	3,998.32	1.06	800.00
129	2	Kelley Everette	5%	5,152.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		David Burglin				
		by C. Burglin	30%			
		Charles Weller	100%	4,748.80	1.06	950.00
130	1	Kelley Everette	5%	6,477.95	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette/by				
		C. Burglin (POA)	30%			
		John J. Sexton/by				
		C. Burglin (POA)	20%			
		Mary Gustafson	30%			
132	1	Charles Weller	100%	6,105.60	1.06	1,222.00
168	1	Charles Weller	100%	6,068.50	1.06	1,214.00
169	1	Charles Weller	100%	6,093.94	1.06	1,219.00
173	1	ARCO Alaska, Inc.	50%	375,066.00	100.50	75,013.20
		Union Oil Company of California	50%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
174	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	375,014.40	97.66	75,002.88
175	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	250,022.40	65.11	50,004.48
176	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	475,046.90	126.95	95,009.38
179	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	11,218.00	2.00	2,243.60
180	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	11,001.60	1.91	2,200.32
187	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	7,650.60	2.05	1,530.12
190	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	7,671.10	2.05	1,534.22
191	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	45,043.20	7.82	9,008.64
192	1	ARCO Alaska, Inc. Union Oil Company of California	50% 50%	45,064.00	8.00	9,012.80
196	1	Kelley Everette C. Burglin Kelley Key Everette/by C. Burglin (POA) John J. Sexton/by C. Burglin (POA) Mary Gustafson	5% 15%  30%  20% 30%	4,315.95	1.15	1,000.00
198	1	Kelley Everette C. Burglin Zella Gaffi by/ C. Burglin (POA) Mike Everette by/ C. Burglin (POA) Barbara Burglin by/ C. Burglin (POA)	5% 15%  30%  30% 20%	4,416.00	1.15	1,000.00
199	1	Kelley Everette C. Burglin Zella Gaffi by/ C. Burglin (POA) Mike Everette by/ C. Burglin (POA) Joseph Burglin by/ C. Burglin (POA)	5% 15%  30%  30% 20%	4,416.00	1.15	1,000.00

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
201	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Ladessa Nordale by/ C. Burglin (POA)	30%			
		Mike Everette by/ C. Burglin (POA)	30%			
		James Burglin by/ C. Burglin (POA)	20%			
203	1	Kelley Everette	5%	6,503.25	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		Angela D. Ryan by/ C. Burglin (POA)	20%			
		Joseph Burglin by/ C. Burglin (POA)	30%			
209	1	Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		Bruce Burglin by/ C. Burglin (POA)	50%			
213	1	Charles Weller	6,044.12	1.06	1,209.00	
214	1	Charles Weller	6,105.60	1.06	1,222.00	
217	1	Kelley Everette	5%	6,557.30	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		John J. Sexton by/ C. Burglin (POA)	20%			
		Barbara Burglin by/ C. Burglin (POA)	30%			
219	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		John J. Sexton by/ C. Burglin (POA)	20%			
		Joseph Burglin by/ C. Burglin (POA)	30%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
221	1	Kelley Everette	5%	6,557.30	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		Angela D. Ryan by/ C. Burglin (POA)	20%			
		Bruce Burglin by/ C. Burglin (POA)	30%			
222	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		John J. Sexton by/ C. Burglin (POA)	20%			
		James Burglin by/ C. Burglin (POA)	30%			
223	1	Kelley Everette	5%	4,416.00	1.15	1,000.00
		C. Burglin	15%			
		Kelley Key Everette by/ C. Burglin (POA)	30%			
		Brian Burglin by/ C. Burglin (POA)	50%			
229	3	John Andrew Bachner	50%	13,658.82	3.57	2,731.76
		Richard E. Wagner	50%			
		Kelley Everette	50%	4,055.56	1.15	1,500.00
		C. Burglin	50%			
		Charles Weller	100%	4,399.90	1.06	812.00
230	1	Charles Weller	100%	4,070.40	1.06	815.00
231	1	Charles Weller	100%	4,069.34	1.06	814.00
242	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Michael Everette by/ C. Burglin (POA)	30%			
		Ladessa Nordale by/ C. Burglin (POA)	30%			
		Bruce Burglin by/ C. Burglin (POA)	20%			

## LIST OF BIDS - LEASE SALE 34 (Sept. 28, 1982)

TABLE 10

Tract #	No. of Bids	Bidder	% ownership	Bid amount	Bid/Acre	20% deposit
243	1	Kelley Everette	5%	6,477.95	1.15	1,500.00
		C. Burglin	15%			
		Madeline Lawrence by/ C. Burglin (POA)	30%			
		Arlin Hogenson by/ C. Burglin (POA)	30%			
		Brian Burglin by/ C. Burglin (POA)	20%			
245	1	Kelley Everette	5%	6,624.00	1.15	1,500.00
		C. Burglin	15%			
		Madeline Lawrence by/ C. Burglin (POA)	30%			
		Arlin Hogenson by/ C. Burglin (POA)	30%			
		David Burglin by/ C. Burglin (POA)	20%			

COMPETITIVE OIL AND GAS LEASING OF STATE LANDS

<u>Sale No. and Date</u>	<u>Acres Offered</u>	<u>Percent Leased</u>	<u>Acres Leased</u>	<u>\$/Acre</u>	<u>Tracts Offered</u>	<u>Tracts Leased</u>	<u>Bonus Received</u>
1. Dec. 10, 1959	88,055.00	87.66	77,191.00	52.08	37	31	\$4,020,342.43
2. July 13, 1960	17,567.51	93.96	16,505.57	24.70	27	26	407,654.54
3. Dec. 7, 1960	73,047.70	31.30	22,866.70	1.55	26	9	35,325.31
4. Jan. 25, 1961	400.00	100.00	400.00	679.04	3	3	271,614.40
5. May 23, 1961	97,876.00	98.06	95,980.00	74.71	102	99	7,170,464.88
6. Aug. 4, 1961	13,257.00	100.00	13,257.00	8.35	6	6	110,671.55
7. Dec. 19, 1961	255,708.44	73.14	187,025.40	79.47	68	53	14,863,049.33
8. April 24, 1962	1,061.70	100.00	1,061.70	4.80	8	8	5,097.00
9. July 11, 1962	315,668.93	87.77	264,437.13	59.43	89	76	15,714,112.60
10. May 8, 1963	167,583.06	84.43	141,490.51	29.23	200	158	4,136,224.92
11. C A N C E L L E D							
12. Dec. 11, 1963	346,782.40	71.25	247,089.00	12.31	308	207	3,042,680.74
13. Dec. 9, 1964	1,194,373.00	60.51	722,659.00	7.66	610	341	5,537,100.94
14. July 14, 1965	754,033.00	53.45	403,000.00	15.25	297	159	6,145,472.59
15. Sept. 28, 1965	403,042.06	74.87	301,751.28	15.49	293	216	4,674,343.74
16. July 19, 1966	184,410.05	72.66	133,987.29	52.55	205	153	7,040,880.17
17. Nov. 22, 1966	19,229.70	96.67	18,589.70	7.33	36	35	136,279.67
18. Jan. 24, 1967	47,729.00	88.82	42,397.00	34.88	23	19	1,478,777.23
19. Mar. 28, 1967	2,560.00	R E J E C T E D 12/9/74					
20. July 25, 1967	311,249.89	82.39	256,447.31	73.14	295	220	18,757,340.88
21. Mar. 26, 1968	346,623.00	47.59	164,961.00	18.24	308	147	3,009,224.00
22. Oct. 29, 1968	111,199.48	54.20	60,272.15	17.29	230	125	1,042,219.90
23. Sept. 10, 1969	450,858.47	91.50	412,548.47	2,181.66	179	164	900,041,605.34
24. May 12, 1971	196,635.07	47.10	92,617.97	4.92	244	106	455,640.57
25. Sept. 26, 1972	325,401.42	54.78	178,244.71	7.43	259	152	1,324,673.40
26. Dec. 11, 1972	399,920.96	44.50	177,972.56	8.75	218	105	1,557,848.84
27. May 9, 1973	308,400.81	36.93	113,891.71	9.93	210	96	1,130,324.51
28. Dec. 13, 1973	166,648.04	58.69	97,803.69	253.77	98	62	24,819,189.91
29. Oct. 23, 1974	278,269.43	50.00	127,119.65	8.19	164	82	1,040,909.98
29A. C A N C E L L E D							
29B. July 24, 1979	34,678.04	100.00	34,678.04	4.56	20	20	158,041.78
30. Dec. 12, 1979	341,140.18	86.80	296,307.65	1,914.87	71	62	567,391,497.48
31. Sept. 16, 1980	196,268.00	100.00	196,268.00	63.12	78	78	12,387,469.60
33. May 13, 1981	815,000.00	50.99	429,978.16	10.00	202	103	4,299,781.60
32. Aug. 25, 1981	202,836.74	75.15	152,428.22	10.00	78	59	1,524,282.20
35. Feb. 2, 1982	601,171.50	21.82	131,190.69	10.00	149	31	1,311,906.90
36. May 26, 1982	56,862.41	100.00	56,862.41	573.02	13	13	32,583,451.87
37. Aug. 24, 1982	852,603.08	19.80	168,849.00	3.33	217	33	562,943.90
37A. Aug. 24, 1982	1,874.60	100.00	1,874.60	52.00	1	1	97,479.20
34. Sept. 28, 1982	1,231,517.00	46.44	571,954.00	46.71	261	119	26,713,018.17
38. C A N C E L L E D							
	11,211,542.67	57.19	6,411,958.27	261.23	5,633	3,377	1,674,998,942.07

TABLE 11

## STATE COMPETITIVE SALE AREAS

TABLE 11

<u>SALE</u>	<u>DATE</u>	<u>DESCRIPTION</u>	<u>BIDDING METHOD</u>
1. Wide Bay; offsh. Kenai to Ninilichik; Kachemak Bay	12/10/59	Offshore	Cash Bonus, Fixed Royalty
2. Kenai Peninsula; West Forelands; Nushagak Bay	7/13/60	Offshore/Uplands	Cash Bonus, Fixed Royalty
3. Katalla; Kalifornsky Beach; Herendeen Bay; offsh. Kodiak	12/7/60	Offshore	Cash Bonus, Fixed Royalty
4. Uplands Ninilichik	1/25/61	Uplands	Cash Bonus, Fixed Royalty
5. Tyonek; Controller Bay; Pavlov Bay	5/23/61	Offshore/Uplands	Cash Bonus, Fixed Royalty
6. Controller Bay (Special Sale)	8/4/61	Tidelands	Cash Bonus, Fixed Royalty
7. Icy, Yakutat & Kachemak Bays; So. Kenai Penin.; N. Cook Inlet	12/19/61	Offshore/Uplands	Cash Bonus, Fixed Royalty
8. Big Lake	4/24/62	Uplands	Cash Bonus, Fixed Royalty
9. Tyonek; W. Forelands; Knik Arm/Kalgin Island; Chisik Island; So. Kenai Penin.; Wide Bay	7/11/62	Offshore/Uplands	Cash Bonus, Fixed Royalty
10. Tyonek; Kenai Offshore & Uplands	5/8/63	Offshore/Uplands	Cash Bonus, Fixed Royalty
11. Yakutat Bay C A N C E L L E D			
12. Below Forelands; Knik & Turnagain Arms; Upper Cook Inlet; Kenai Penin.; Tyonek to Katunui River	12/11/63	Offshore/Uplands	Cash Bonus, Fixed Royalty
13. Fire Island; W. Forelands; Trinity Islands; Prudhoe West	12/9/64	Offshore/Uplands	Cash Bonus, Fixed Royalty
14. Prudhoe West to Canning River	7/14/65	Offshore/Uplands	Cash Bonus, Fixed Royalty
15. Fire Island & N. Cook Inlet; Kalgin Island & Redoubt Bay; Knik; S. Kenai Peninsula	9/28/65	Offshore/Uplands	Cash Bonus, Fixed Royalty
16. Kenai Penin. & Knik; Middleton Island; Fire Island, Redoubt Bay; Kalgin Island, Iliamna Mt.; N. Cook Inlet	7/19/66	Offshore/Uplands	Cash Bonus, Fixed Royalty
17. Big Lake; Kenai	11/22/66	Offshore/Uplands	Cash Bonus, Fixed Royalty
18. Katalla; Prudhoe	1/24/67	Offshore/Uplands	Cash Bonus, Fixed Royalty
19. Lower Cook Inlet	3/28/67	Offshore/Uplands	Cash Bonus, Fixed Royalty
20. Big Lake; Knik; Iliamna Mt.; Beluga; N. Cook Inlet; Kalgin Island; Ninilichik	7/25/67	Offshore/Uplands	Cash Bonus, Fixed Royalty
21. Port Heiden & Port Moller	3/26/68	Offshore	Cash Bonus, Fixed Royalty
22. Big Lake; Knik; Beluga; West Forelands; Ninilichik; Kachemak & Kenai	10/29/68	Uplands	Cash Bonus, Fixed Royalty
23. Colville to Canning River	9/10/69	Offshore/Uplands	Cash Bonus, Fixed Royalty
24. Big Lake; Knik; Kenai; West Forelands	5/12/71	Uplands	Cash Bonus, Fixed Royalty

TABLE 11

25. Big Lake; Knik; Beluga; North Cook Inlet	9/26/72	Offshore/Uplands	Cash Bonus, Fixed Royalty
26. Cook Inlet (Between Forelands & Turnagain Arm)	12/11/72	Offshore/Uplands	Cash Bonus, Fixed Royalty
27. Tuxedni; Ninilichik; Kenai; Kalgin	5/9/73	Offshore/Uplands	Cash Bonus, Fixed Royalty
28. Ninilichik; Kachemak Bay; Beluga	12/13/73	Offshore/Uplands	Cash Bonus, Fixed Royalty
29. Kalgin & West Forelands; Chisik; Ninilichik N. Cook Inlet; Turnagain; Big Lake	10/23/74	Offshore Uplands	Cash Bonus, Fixed Royalty
29A. Point Thomson	CANCELLED		
29B. Copper River Basin	7/24/79	Uplands	Cash Bonus, Fixed Royalty
30. Beaufort Sea (Joint Federal & State Sale)	12/12/79	Offshore	Cash Bonus w/Fixed Sliding Scale Royalty Net Profit Share(NPS) Bid Variable w/Fixed Royalty and Fixed Cash Bonus
31. Prudhoe Uplands	9/16/80	Uplands	Cash Bonus Bid Variable with Fixed Royalty and Fixed NPS
32. Lower Cook Inlet	8/25/81	Offshore/Uplands	Royalty Bid Variable with Fixed Cash Bonus
33. Upper Cook Inlet	5/13/81	Offshore/Uplands	Royalty Bid Variable with Fixed Cash Bonus
35. Lower Cook Inlet	2/2/82	Offshore/Uplands	Royalty Bid Variable with Fixed Cash Bonus
36. Beaufort Sea	5/26/82	Offshore/Uplands	Cash Bonus Bid Variable with Fixed Royalty and Fixed NPS
37. Middle Tanana & Copper River Basins	8/24/82	Uplands	Cash Bonus Bid Variable with Fixed Royalty and Fixed NPS
37A. Chakok River, Exempt	8/24/82	Uplands	Cash Bonus, Fixed Royalty
34. Prudhoe Uplands	9/28/82	Uplands	Cash Bonus Bid Variable with Fixed Royalty and fixed NPS
38. Norton Basin	CANCELLED		



TABLE 12

CURRENT STATE LEASE INVENTORY  
(December 20, 1982)

Category	No. of Leases	No. of Acres
Active Leases	1,484	
Total Acres		4,028,342
Offshore		1,306,859
Onshore		2,721,483
Net Profit Share Leases	266	898,395
Offshore		135,073
Onshore		763,322
Segregated Leases	122	113,563
Unitized Leases	384	845,773
Entire Lease in Unit	314	
Partially in Unit	70	
Royalty (Producing) Leases	186	449,364
Entire Lease	163	
Partially	23	
Minimum Royalty Leases	48	86,170
Entire Lease	39	
Partially	9	
Competitive Leases	1,240	3,587,442
Noncompetitive Leases	244	440,900
Conditional Leases	128	283,134

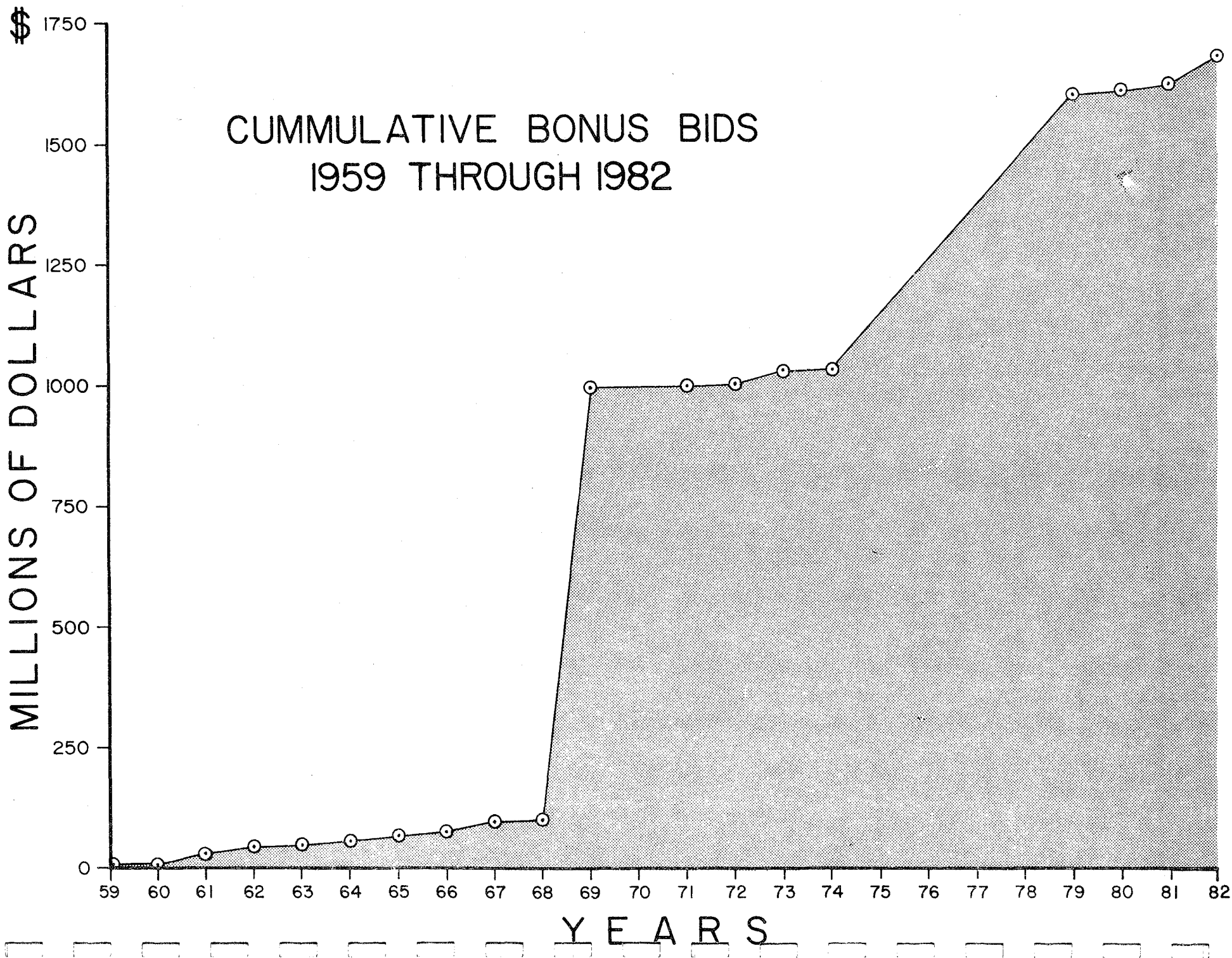


FIGURE 2



## ORIGIN OF HYDROCARBONS

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The occurrence of a major petroleum reservoir depends upon many geological processes that must occur in a certain order. Geologists and geophysicists study the surface and subsurface geology of an area to determine whether and exactly where these geological processes may have occurred. If oil and gas have accumulated in a particular area, the more that is understood about the geology the greater the chance of a discovery, yet, the process of accumulation of oil and its eventual discovery is so complicated that luck is an important factor. Surprises often occur and no one can ever predict precisely where or how much oil will be discovered.

### Necessary geological events:

The process of petroleum formation and accumulation is a very slow one; it usually requires millions of years. First, large quantities of organic material must collect in one place. This usually takes place in quiet water such as the sea floor. Dead marine plankton, it is thought, is the main ingredient. Over thousands and possibly millions of years, large amounts of the organic matter collect in mud on the sea floor. These layers of organic-rich mud sink deeper and deeper into the earth as new layers of sediment collect above them. When the layers of organic-rich mud have been depressed to a depth of at least several thousand feet, the natural heat of the earth and pressure from the weight of overlying sediments change the organic material into oil.

Depending upon the amount of heat, and the type of organic material, oil, gas, or both may be formed. Generally, very high heat and/or "woody" plant material will cause gas to form. Once formed, the naturally buoyant oil and gas tend to rise upward through the overlying sedimentary rocks, if an open migration path is available.

The migration pathways may be fractures, faults or permeable rocks usually located above the source rocks. Once the upward migration has begun, the petroleum must encounter and collect in rocks with many microscopic void spaces. This type of rock, usually a sandstone or limestone, is referred to as the reservoir rock.

Once the petroleum migrates into such reservoir rock, large quantities may accumulate. The shape of the reservoir rock is an important factor in the oil accumulation process. The reservoir rock must be shaped so that petroleum will continue to migrate into the reservoir until it is more or less full of oil. The shape and position of the reservoir rock must prevent oil and/or gas from escaping so that petroleum may be concentrated. The feature that prevents escape of hydrocarbons is called the trap. A common type of trap is the anticline, in which the reservoir rocks have been deformed into an upward fold which, in shape resembles a large inverted bowl. An important part of the trap is its seal, usually impermeable beds of rock, located at the upper surface of the reservoir rock so that oil or gas cannot migrate outward and upward away from the reservoir. Beds of fine-grained rocks, such as claystone, usually form the seal.

The anticline is one example of what is known as a structural trap. Structural traps are formed by the deformation of horizontal beds by folding and/or faulting into a trap configuration. Stratigraphic traps are another type of trap. They are probably less common and more difficult to locate than the structural trap. Stratigraphic traps depend upon natural deposition or post-depositional changes in the reservoir rock, rather than folding or faulting. For example, an ancient deeply buried porous beach sand may serve as an excellent petroleum trap if it is surrounded by fine-grained ancient mud flat sediments. In the case of the offshore bar, the trapping mechanism depends upon the type and original position of the rocks, not upon folding or faulting, so it is called a stratigraphic trap.

The absence of any one of these factors -- source rock (organic-rich, fine-grained rocks), migration pathway, reservoir, or sealed trap insures that a commercial amount of hydrocarbons will not accumulate within a given basin. Even if all of the factors are present, they must have occurred or developed at precisely the right time with respect to each other. To illustrate this point, consider the following basin histories:

A subsiding basin is filled with vast quantities of organic-rich shales which are buried deep enough to generate large quantities of oil and gas. During their burial, these shale beds are folded and faulted to form numerous attractive traps. Unfortunately, there are no reservoir beds in the basin in which the migrating hydrocarbons may collect.

or

A basin has excellent reservoirs as well as excellent source rocks and traps but because the basin is shallow, the potential source rocks never subsided enough to experience the heat and pressure necessary to generate hydrocarbons...

or

A basin has excellent reservoirs, thermally mature source rocks, seals and large traps, but the traps originated long after generation of hydrocarbons and their migration to the surface of the basin...

or

A basin has excellent reservoirs, rich source rocks, impermeable seals, large, well-defined traps; however, the thermal history of the area includes late episodes of heating of the sediments much higher than temperatures required to destroy gas...

These examples show only a few of the many ways that missing ingredients or the wrong sequence of events can thwart petroleum accumulation.

## Exploration for oil and gas

Geologists and geophysicists use their respective exploration tools in order to determine the location of petroleum reservoirs. Basically, geologists study surface rocks and rock samples from any previously drilled wells in an area in order to determine whether the required organic-rich source rocks were ever deposited and whether they were heated to a high enough temperature for their enclosed organic matter to have been converted to petroleum. Geologists also study the complete sequence of rocks searching for potential reservoir beds. They also study the general style of deformation within a basin in order to determine possible migration paths and whether the proper timing of folding has occurred. Geophysicists study sedimentary thickness, folding and faulting through the use of gravity, magnetic and seismic methods. First, the more general geophysical techniques of gravity and magnetic studies are used to determine broad areas of interest, the sedimentary basins.

A sedimentary basin is simply a depression in the earth's surface within which sediments have collected. In order for a basin to be prospective for petroleum, it usually must be several thousand feet thick and encompass many thousands of acres. Once the geophysicist has identified a basin, he will study folding and faulting in the basin by evaluating the response of subsurface rocks to seismic waves which are initiated on the surface of the basin and transmitted into the underlying rocks. Reflection seismic data which form the basis of this evaluation are used to generate maps that indicate the location of any anticlines, faults or potential stratigraphic traps within the basin. If suitable drilling targets are identified during this evaluation, a well may be drilled. As the well is being drilled, rock samples are collected to aid in determining whether the well will produce oil and to learn more about the petroleum potential of the entire basin. If the well proves not to be a commercial discovery, the geological information is used to help determine whether drilling should be attempted elsewhere in the basin.



# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

Pouch 7-005  
Anchorage, Alaska 99510  
Phone: (907) 276-2653

December 16, 1981

#### -NOTICE-

#### COMPETITIVE OIL AND GAS LEASE SALE 35

The Department of Natural Resources, Division of Minerals and Energy Management (DMEM), hereby gives formal notice in accordance with AS 38.05.345(a)(4) of its intention to offer lands for competitive oil and gas lease in Lower Cook Inlet. This proposed sale is scheduled to be held on February 2, 1982, at the Captain Cook Hotel, 5th and "K" Streets, Anchorage, Alaska. Bids will be accepted at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage (3rd floor), on February 1, 1982, between 9 a.m. and 4:30 p.m. Bids that are sent by mail must be sent to: DMEM, Pouch 7-005, Anchorage, Alaska 99510, and must be received at DMEM by February 1, 1982. On February 2, 1982, bids will be accepted at the Discovery Room in the Captain Cook Hotel between 8 and 9 a.m. Bids will be opened between 9 and 10 a.m. At 10 a.m., a public reading of the bids will begin.

The sale will be conducted by the Department of Natural Resources under the authority of Alaska Statute 38.05.180. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the oil and gas that may be discovered within the leased area. In order to bid at the sale, bidders must prequalify prior to the sale date. Potential bidders should consult DMEM for prequalification procedures. Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

The State reserves the right to delete or contract proposed tracts at any time up to and including the day of the sale. At the present time, the State plans to offer 149 tracts totaling approximately 596,000 acres. About 96 percent of the proposed sale area is offshore acreage in Cook Inlet. Surface tracts lie north and west of the City of Kenai, on the western shore of Cook Inlet, near Redoubt Bay, and on Kalgin Island. An additional tract (230), located west of Soldotna, was added to the proposed sale area at the request of the University of Alaska. The entire proposed sale area is within the Kenai Peninsula Borough. Communities in the vicinity of the proposed sale include Kenai, Soldotna, Kasilof, Clam Gulch, Ninilchik, Anchor Point, and Homer. A small portion of the proposed sale area includes the Kalgin Island Critical Habitat Area, an important habitat for fish and wildlife populations. A set of ten tract maps showing the exact dimensions and acreage of each tract is available at DMEM.



Any lease issued as a result of this proposed sale will be executed on Form No. DMEM-4-81 (ROYALTY). The bidding method will be royalty bidding with a minimum bid of 12.50000 per cent and a fixed cash bonus of \$10.00 per acre. Total royalty bids must be expressed in per cent to five decimal places. Leases will be awarded on the basis of the highest royalty bid of 12.50000% or more. All tracts will have a primary term of 10 years. 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.

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the State as required by the lease and leasing regulations. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the Departmental status plats or as necessary to protect identified resource values.

On many tracts, or portions of tracts, the State no longer owns surface rights. A list of third party interests in the tracts, current as of December 16, 1981, is available at DMEM. Since changes in land status occur quite frequently, potential bidders should consult state and federal status plats and the records of the Kenai recorder's office in order to determine current third party interests. AS 38.05.130 requires oil and gas lessees to make provisions to pay the surface owner for any damage sustained by the surface owner as a result of oil and gas exploration or development. If the surface owner and the oil and gas lessee cannot reach an agreement, the oil and gas lessee may enter upon the land after posting a surety bond insuring that both the surface owner and his lessees are covered against any damages that they might sustain by reason of entry by the subsurface lessees. Upon request of the surface owner or lessee, the Department of Natural Resources will determine an appropriate bond amount after giving the parties an opportunity to be heard.

In addition, 11 AAC 83.155 provides that each lessee shall indemnify the state and hold it harmless from any claims, demands, liabilities and expenses arising from or in connection with damage incurred under AS 38.05.130. 11 AAC 83.158 requires that before undertaking operations on the leased area, the lessee must make provision for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees. If the surface estate is owned by a third party rather than by the State of Alaska, the lessee must also notify the surface owner of his right to request that the Commissioner of the Department of Natural Resources require a plan of operations before allowing operations to be undertaken on the leased area.

The Department of Natural Resources has determined that all water bodies within the sale area are public or navigable. Easements, if necessary to insure public access, will be reserved during the review of individual lease plans of operations.

Prior to the commencement of lease operations, a minimum oil and gas lease bond of \$10,000 per operation is required. In the alternative, a statewide oil and gas lease bond 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 \$100,000 for a single well or a \$200,000 bond to cover wells statewide before drilling operations will be permitted by AOGCC.

In support of the lease sale, the Director of the Division of Minerals and Energy Management has prepared a final written finding under AS 38.05.035(a)(14) which sets forth the facts and applicable law upon which he has determined that the proposed action will best serve the interests of the State. The Director's written finding and decision is available to the public upon request at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage or by writing DMEM at Pouch 7-005, Anchorage, Alaska 99510. The latest detailed information concerning the proposed sale is available to prospective bidders and members of the public at DMEM.



Glenn Harrison  
Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

Pouch 7-005  
Anchorage, Alaska 99510  
Phone: (907)276-2653

#### Information to Bidders

##### 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 royalty bid.
3. The amount of the bid has been determined to be adequate by the Commissioner of Natural Resources.
4. No bid containing or accompanied by any condition, qualification, or material alteration will be considered.

##### B. Pre-Qualification of Bidders

In order to submit bids for this sale, bidders must be qualified to bid prior to the sale date of February 2, 1982. Qualification procedures are as follows:

1. Individuals - An individual bidder must have a Statement of Qualifications on file at DMEM certifying that he or she is at least 18 years old and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen. The statement must include the bidder's name, address, and telephone number and must be signed and dated. If an agent is signing the bid form on behalf of a bidder, an original, notarized power-of-attorney document evidencing the authority of the agent to act on behalf of the individual must be on file at DMEM. Statements of qualifications submitted for State Oil and Gas Lease Sale 33 or 32 will be adequate for Sale 35 as long as the information is current. If the power-of-attorney document gives an agent the power to bid only in a specific sale, a new power-of-attorney must be submitted for Sale 35.

2. Corporations - Corporations must have the following documents on file at DMEM prior to the lease sale:

- a. Copy of 1981 Certificate of Compliance.
- b. The current address and phone number of the corporation.
- c. A list of the current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. An original notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

A Certificate of Compliance can be obtained by sending sixty cents to State of Alaska, Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811 and requesting the certificate. The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws, and is thus qualified to do business in the State.

3. Corporations that have not previously qualified to do business in Alaska - A corporation that has not previously qualified to do business in Alaska must submit the following documents to DMEM:

- a. If the corporation is a foreign corporation, it must submit a copy of its Certificate of Authority. If the corporation is a domestic corporation, it must submit a copy of its Certificate of Incorporation. A foreign corporation is one that has been incorporated outside the State of Alaska. A domestic corporation is one that has been incorporated within the State of Alaska.
- b. The current address and phone number of the corporation.
- c. A list of the current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. An original notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

In order to receive a Certificate of Authority, foreign corporations must submit a packet of completed forms entitled "Instructions for qualifying a foreign corporation to do business in the State of Alaska" to the Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811. In order to receive a Certificate of Incorporation, domestic corporations must submit Articles of Incorporation to the Department of Commerce and Economic Development. These forms can be obtained by writing or telephoning DMEM. Upon proper application, the Department of Commerce and Economic Development will issue a Certificate of Authority or Certificate of Incorporation. Please allow two to three weeks for the processing of these certificates.

4. Partnerships and other unincorporated associations - A partnership or unincorporated association must submit the following documents to DMEM prior to the lease sale:

- a. A statement describing the business relationships of members of the association or partnership.
- b. A statement of qualifications for each member stating that each member is at least eighteen years of age and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen.
- c. If an agent is signing the bid form on behalf of the partnership or association, an original notorized power-of-attorney defining the agent's authority to sign the bid on behalf of the partnership or association.

C. Bid Submission

All bids will be accepted by the Director of the Division of Minerals and Energy Management or his authorized agent at 555 Cordova Street (3rd floor), Anchorage, Alaska, between the hours of 9:00 a.m. and 4:30 p.m. on February 1, 1982. Bids that are mailed to the Director, DMEM Pouch 7-005, Anchorage, Alaska 99510 must be received no later than February 1, 1982. Bids will also be accepted at the Division's temporary office at the Discovery Room in the Captain Cook Hotel between 8 and 9 a.m. on February 2, 1982. No bids tendered after 9:00 a.m. on the day of the sale, February 2, 1982, will be accepted.

Bids will be received and processed on February 2 in the following manner:

1. 8:00 a.m. - 9:00 a.m. - bids will be received.
2. 9:00 a.m. - closing of bid submission.
3. 9:00 a.m. - 10:00 a.m. - opening of the bids by DMEM personnel. The opening of bids is for the sole purpose of publicly announcing and recording bids received. No bids will be accepted or rejected at this time.
4. 10:00 a.m. - public reading of the bids will begin.

D. Form for Submission of Bids

1. A separate bid must be submitted for each tract.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked "State of Alaska Competitive Oil and Gas Lease Sale 35; not to be opened until 9:00 a.m., February 2, 1982; Tract # \_\_\_\_\_." No other statements, information, or identification should appear on the outside of the envelope.

The following items must be contained in each envelope:

- a. An executed bid form (DMEM 7/7/81) or an exact copy of that form. All bidders should state their name, company (if applicable), address, and telephone number on the bid form.
  - b. Bid Deposit: Check or money order made payable to the "Department of Revenue, State of Alaska." The check should be a cashier's or certified check drawn on any solvent bank in the United States, a money order, or cash in the total amount of 20% of the amount of the total fixed cash bonus. No bid for less than a full tract will be considered.
3. Pursuant to 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person who has any working interest in the bid or who may 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 who 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 persons. 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.

E. Method of Handling Bid Deposits

1. Bid deposits submitted with bids shall be in U.S. dollars and shall be tendered in cash or by money order, cashier's check or certified check. All such bid deposits will be safeguarded against theft, misappropriation and loss.
2. Any cash, money orders, cashier's checks or certified checks submitted with the apparent high bid will be deposited immediately after the sale in an interest-bearing account. Such deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the State of Alaska.
3. Any cash, money order, cashier's checks or certified checks submitted with apparent low bids will be immediately placed in a secure vault. Bid deposits submitted by obviously unsuccessful bidders will be available for return to the bidder or the bidder's representative beginning at 3:00 p.m. on February 2, 1982 or they will be held in a secure vault until instructions for other disposition are received from the bidder or his representative.
4. Upon rejection by the State of Alaska of any apparent high bid, the amount of the bid deposit for that bid plus interest actually earned on that bid deposit will be returned by state warrant to the bidder by certified mail to an address designated by the bidder.
5. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified by certified mail of the lease award and will be sent two copies of the lease for signature. Within

30 days of the date that bidder receives notification of the lease award, the bidder must: 1) sign both copies of the lease; 2) return them to the Division of Minerals and Energy Management for execution; 3) pay the balance of the cash bonus and accrued interest; and 4) pay first year's annual rental. Interest of 10.40 per annum (which is the market interest rate for 90-day U.S. Treasury bills prevailing during the week of December 7-11) will be charged on the balance of the fixed cash bonus accruing from the date of the successful bidder's receipt of the notification of the lease award to the date of payment. The successful bidder owes interest from the day that he receives the bid acceptance letter until the day before the money is paid. Interest should be paid on the fixed cash bonus only and not on the first year of rental. Payment of the balance of the cash bonus, accrued interest and rental shall be accomplished in the following manner:

The successful bidder will wire transfer federal funds in the amount of the balance of the fixed cash bonus and accrued interest together with the first year's rental to the General Investment Account of the State of Alaska at the Bank of America, NT & SA, San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. The wire transfer should specify on whose behalf and on what tracts the balance, interest, and rental is being paid. 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.

In addition, the successful bidder shall simultaneously send the following information by telex to the State of Alaska, Department of Revenue, Treasury Division, attention of : Al Jahner at Telex #099-45333: The amount of rental, interest, and balance of fixed cash bonus being paid per tract; the name(s) of the bidder(s) on whose behalf the funds are being wire transferred; and the originating bank of the wire transfer.

F. Tracts with Identified Wildlife Values

Portions of tract 1 include critical calving grounds, core summering habitat and summering range of the Kenai lowland caribou herd. See the "mitigating measures" portion of this information brochure for further information regarding surface entry restrictions on portions of tract 1. Portions of tracts 67 and 70 are within the Kalgin Island Critical Habitat Area. The management of State Critical Habitat Areas is the responsibility of the Alaska Department of Fish and Game. Prior to the development of any lands within the Kalgin Island Critical Habitat Area, a permit must be obtained from the Alaska Department of Fish and Game.

### MITIGATING MEASURES

AS 38.05.035(a)(14) and the departmental delegation of authority give the director, Division of Minerals and Energy Management, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. The following proposed stipulations and terms of sale have been developed considering the Social, Economic and Environmental Analysis (SEEA) for Sale 35, interagency discussion, and experience with prior lease sales in the Cook Inlet area.

#### LEASE STIPULATIONS

##### 1. Spill Prevention Control and Countermeasure (SPCC) Plan:

A Spill Prevention, Control and Countermeasure Plan must be submitted to the Department of Environmental Conservation for approval prior to onshore drilling operations and construction of onshore oil and gas storage facilities (with a capacity of greater than 660 gallons), transfer, and transportation facilities. In addition to addressing the prevention, detection and cleanup of oil, the SPCC plan for drilling operations should include, but not be limited to, methods for controlling blowouts, location of spill clean-up equipment, identification and location of a suitable alternative drilling rig, and the time required to obtain, mobilize, rig-up, and commence drilling of a relief well, if needed.

##### 2. Discovery of historic or archeologic objects:

In the event any site, or structure, or object of historic or archeologic significance should be discovered during the conduct of any operations on the leased area, the lessee will report immediately such findings to the

Director, Division of Minerals and Energy Management, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director, after consultation with the State Historic Preservation Officer, has given directions as to its protection.

##### 3. Special stipulations for tract 1 only, which includes portions of the critical calving grounds, core summering habitat and summering range of the Kenai lowland caribou herd, are as follows:

A. Surface entry within the critical calving grounds (that portion of tract 1 which includes E 1/2 Sec. 20 and E 1/2 Sec. 17, T 6N, R 11W, Seward Meridian) is prohibited, except that surface entry for seismic exploration will be allowed during the winter (from approximately October 16 to March 31). The timing of seismic operations shall receive prior approval from the Department of Fish and Game.

B. No lease related activity will be permitted within the core summering habitat (that portion of tract 1 which includes Sec. 9, NW 1/4 and S 1/2 Sec. 10, Sections 15 and 16, T 6N, R 11W, Seward Meridian) during the period April 1-October 15.

C. Support activities will be confined to existing roads. No new roads, permanent facilities or above-ground pipelines will be constructed within the core summering habitat.



- D. Facilities in the core summering habitat (described above) and those in the summering range (that portion of tract 1 which includes S 1/2 Sec. 3 and NE 1/4 Sec. 10, T 6N, R 11W, Seward Meridian) which require year-round access will be located only in forested areas.

INFORMATION TO BIDDERS: PLANS OF OPERATIONS AND OTHER TERMS OF SALE

1. Bidders are advised that if the state owns the surface of the leased area, or if the lease reserves a net profit share to the state, or if a surface owner other than the state so requests, the lessee must submit a detailed plan of operations to the Division of Minerals and Energy Management prior to conducting any exploratory or development operations. The following conditions and restrictions will be imposed as a condition of the approval of plans of operations.
  - A. The siting of onshore facilities, except for road and pipeline crossings which will be aligned perpendicular to water courses, will be prohibited within 500 feet of all shorelines, streambanks, and lakes unless it is shown to the satisfaction of the Director, Division of Minerals and Energy Management, that alternative site locations outside 500 feet are not feasible or prudent. In addition, the siting of facilities within one quarter mile of the banks of the Kenai River will be discouraged, and may be prohibited.
  - B. Impermeable lining and diking will be required for sewage ponds and onshore oil storage facilities (with a storage capacity greater than 660 gallons). A buffer zone of up to 1,500 feet will be required to separate oil storage facilities (with a capacity greater than 660 gallons) and sewage ponds from freshwater supplies, streams, lakes, wetlands and marine areas unless it is shown to the satisfaction of the Director, Division of Minerals and Energy Management, that such a requirement is not feasible or prudent. Impermeable diking will be required for sump and reserve pits.
  - C. All lease activities and structures must be designed to maintain normal water flow or drainage patterns and to allow free movement and safe passage to fish and mammals, both onshore and offshore, unless such a design is shown to the satisfaction of the Division of Minerals and Energy Management after consultation with the Department of Fish and Game, not to be feasible or prudent.
  - D. Exploration activities should be supported by winter trails, air service, existing roads and port facilities except for local roads in the vicinity of exploration sites. Construction of year-round roads will be prohibited during the exploration phase of oil and gas development projects unless it can be shown to be in the State's interest to have a permanent road constructed. When allowed, year-round roads must be designed, constructed, and maintained to the satisfaction of the Director, Minerals and Energy Management.

- E. Facilities and surface transportation routes should be located to avoid sensitive fish and wildlife habitat and minimize damage to sensitive wetlands, and should be consolidated to the extent feasible and prudent.
- F. No restriction of public access to, or use of, the lease area will be permitted as a consequence of oil and gas activities except in the immediate vicinity of drill sites, buildings and other related structures. The location of restricted areas shall be identified in the plan of operations.
- G. The Director, Division of Minerals and Energy Management, may require as a condition for approval of lease operations an environmental training program for personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors). The program should be designed to inform each person working on the project of specific types of environmental, social and cultural concerns which relate to the sale area and to ensure that personnel understand and use techniques necessary to preserve archeological, geological and biological resources. The program also should be designed to increase the sensitivity and understanding of personnel to community values, customs, lifestyles and biological concerns in areas in which they will be operating.
- H. In the event unlisted peregrine falcon nests are discovered, the lessee shall immediately report the nest(s) to the Director, Division of Minerals and Energy Management. Mitigating measures will be required by DMEM and the Department of Fish and Game to ensure that lease activities are in compliance with the state and federal Endangered and Protected Species Act.
- I. In the event that unlisted bald eagle nests are discovered, the lessee shall immediately report the nest(s) to the Director, Division of Minerals and Energy Management. The Commissioners of the Department of Natural Resources and the Department of Fish and Game will require the following measures to ensure that lease activities comply with the Federal Bald Eagle Protection Act.
  - 1) Permanent facilities will be prohibited within 500 feet of all bald eagle nests.
  - 2) Surface entry will be prohibited within 500 feet of active bald eagle nests between April 1 and August 31. Temporary activities, which do not alter the habitat, may be allowed outside of this time period.
- J. Surface entry and facility siting within one-half mile of the banks of Harriet Creek are prohibited unless it is shown to the satisfaction of the Director, Division of Minerals and Energy Management, that alternatives are not feasible or prudent. Whenever possible, road, trail and pipeline crossings will occur at right angles to the creek.

2. Solid waste disposal is subject to the approval of the Commissioner, Department of Environmental Conservation.
3. An Oil Discharge Contingency Plan will be required for offshore operations pursuant to AS 46.04.030.
4. Discharge of produced water, drilling muds, and cuttings:
  - A. Disposal of produced water to subtidal marine waters of Cook Inlet will be permitted except as indicated in Term No. 8 (below). Discharge of produced waters to freshwater bodies, intertidal habitat and estuarine waters at river mouths is prohibited.
  - B. Disposal of produced waters in upland areas, including wetlands, will be by subsurface disposal techniques, except that the Commissioner of the Department of Environmental Conservation may give consideration to alternate disposal methods where it is shown to his satisfaction that subsurface disposal techniques are not feasible or prudent.
  - C. Discharge of drilling muds and cuttings to lakes, streams, rivers, intertidal areas and tidally influenced mouths of rivers is prohibited. Drilling muds and cuttings free of hydrocarbon contamination may be discharged to subtidal marine waters, except that in subtidal marine waters shallower than the 3 fathom isobath, discharge will be restricted to the period occurring two hours before and two hours after each high tide event.
5. Upon abandonment of drilling sites, roads, buildings, airstrips or other facilities, such facilities will be removed and the site rehabilitated, unless it is shown to the satisfaction of the Director, Division of Minerals and Energy Management after consultation with other state agencies, that such removal and rehabilitation is not in the state's interest.
6. The land in the proposed sale area is contained within the coastal zone and is thereby subject to the Alaska Coastal Zone Management Act, AS 46.40. The Director, Division of Minerals and Energy Management, may require, as a condition for approval of lease operations, modifications or stipulations as may be necessary to ensure consistency with the Act, or to otherwise provide for sound planning and management of coastal resources.
7. Plans of operations for lease activities and specific permit applications which are subject to approval by the U.S. Corps of Engineers or which require a Certificate of Reasonable Assurance from the Department of Environmental Conservation should be submitted simultaneously for state agency review and approval, at least 60 days prior to the proposed conduct of such activities.
8. To protect important clam beds located along the western shore of Cook Inlet. (see figure 1 for approximate locations) disposal of produced waters in subtidal areas is prohibited in the following two locations:
  - A. within Chinitna Bay, including all waters west of a line drawn between Sea Otter Point and Spring Point.

- B. from Crescent River northward to a point one-half mile north of Redoubt Point, including all waters shallower than the 3 fathom isobath or within subtidal waters 300 meters seaward of the lower limit of the clam beds.
9. The management of State Critical Habitat Areas is the responsibility of the Department of Fish and Game under AS 16.20.260: Prior to the development of any lands within the Kalgin Island Critical Habitat Area a permit must be obtained from the Department. Permits will be issued upon receipt and approval of detailed plans of the proposed project which must meet the following requirements:
- A. The consolidation of facilities and activities associated with lease operations will be mandatory.
  - B. All facilities must be designed and constructed to: 1) have minimal impacts on fish and wildlife resources and public use; 2) mitigate adverse impacts; and 3) minimize visual impacts on public use areas.
  - C. Mitigation measures will be required for all lease operations that result in unavoidable adverse impacts having a significant effect on fish and wildlife, their habitats, or human use, as determined by the Alaska Department of Fish and Game.
  - D. Lease facilities must include all available design features to minimize the possibility of accidental oil spills or fires resulting from vandalism or hunting accidents.
  - E. Facilities must be designed and constructed to prevent the spread of hydrocarbons and facilitate cleanup. Facilities that store or process greater than 660 gallons of petroleum products, and all pipelines, must be approved by the Department as to their location, size, time of construction, and operation.
  - F. Upon abandonment of facilities, the lessee must restore the area to its former productivity unless the Department determines it is in the best interest of the public to retain some or all of the improvements made by the lessee.
  - G. No restriction of public access to the Kalgin Island Critical Habitat Area will be permitted as a consequence of oil and gas activities. Restriction of public use of small, limited areas in the immediate vicinity of facilities may be allowed with the approval of the Department of Fish and Game.
  - H. No surface discharge of produced waters will be allowed. Disposal of drilling muds and cuttings within the Critical Habitat Area will only be approved by the Department when it does not adversely affect water quality, wetlands, public use, or habitat.
  - I. Borrow removal will be permitted where it does not adversely affect fish and wildlife populations or their habitats or where there is an opportunity to enhance fish and wildlife populations.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

April 7, 1982

#### -NOTICE-

#### COMPETITIVE OIL AND GAS LEASE SALE 36

The Department of Natural Resources, Division of Minerals and Energy Management (DMEM) gives formal notice under AS 38.05.345(a)(4) of its intention to offer lands for competitive oil and gas lease. Sale 36 includes about 41,500 acres of Beaufort Sea submerged lands north of Prudhoe Bay near the Midway Islands and about 15,500 acres of both submerged lands and uplands in the Flaxman Island-Canning River region west of the Arctic National Wildlife Refuge.

The sale will be conducted by the Department of Natural Resources under the authority of Alaska Statute 38.05.180. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the oil and gas that may be discovered within the leased area. In order to bid at the sale bidders must prequalify prior to the sale date. Potential bidders should consult DMEM for prequalification procedures. Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

Sale 36 is scheduled to be held on May 26, 1982 at the Travelers Inn, 620 Noble, Fairbanks, Alaska. Bids will be received and processed on May 26 in the following manner:

1. 7:30 a.m. - 9:00 a.m. - bids will be received in the "Rampart Room".
2. 9:00 a.m. - closing of bid submission.
3. 9:00 a.m. - 10:00 a.m. - bids will be opened.
4. 10:00 a.m. - a public reading of the bids will begin in the "Gold Room".

Bids also will be accepted from 9 a.m. to 3 p.m. on May 25, 1982 in Room 31 (3rd floor), 555 Cordova Street, Anchorage, Alaska. Bids that are sent by mail must be sent to: Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510, and must be received by May 24, 1982.

Any lease issued as a result of this sale will be executed on Form No. DMEM 1-82 (NET PROFIT SHARE) which was revised April 7, 1982. The sections in the new lease form that reflect substantive changes from the prior lease form (DMEM-4-81 ROYALTY) are: 1) Paragraph 34(d) has been revised to reference a Department of Natural Resources regulation for the purpose of determining "minimum value"; 2) Paragraph 35 has been expanded to include an interest

provision for underpayments and adjustments of royalty in value; and 3) Paragraph 38 has been added to incorporate a Net Profit Share provision. In addition, minor editorial changes have been made in Paragraphs 8, 25, and 34(c).

The bidding method will be cash bonus bidding with a fixed royalty of 12.5% and a fixed net profit share of 40%.

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

Lessees will be eligible for exploration incentive credits for exploration wells as provided in 11 AAC 83.800, 11 AAC 83.805, 11 AAC 83.815, and 11 AAC 83.820 as those regulations exist on the effective date of the lease. Credits will be earned at a rate of \$750 per foot drilled for the first exploratory well per tract, provided that credits cannot exceed 40% of the total exploratory well costs. The credits must be earned and used within 10 years of the effective date of the lease.

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.

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the departmental status plats or as necessary to protect identified surface resource values.

The Department of Natural Resources has determined that all water bodies within the sale area are public or navigable. Easements, if necessary to ensure public access, will be reserved during the review of individual lease plans of operations. Prior to the commencement of lease operations, an oil and gas lease bond for a minimum amount of \$10,000 per operation is required. In the alternative, a statewide oil and gas lease bond 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 \$100,000 for a single well or a \$200,000 bond to cover wells statewide before drilling operations will be permitted by AOGCC.

The state reserves the right to delete or contract proposed tracts at any time up to and including the day of the sale. Thirteen tracts totaling approximately 56,862 acres will be offered. Tracts C-36-001 through C-36-008 and C-36-013 were included in the Joint State/Federal Beaufort Sea Sale held in December, 1979 and as a result are delineated by the U.S. Department of Interior U.T.M. Survey System. Tracts C-36-009 through C-36-012 in the Flaxman Island-Canning River area are shown by the State of Alaska Survey Protraction System on a separate tract map. Both of these tract maps are available at DMEM.


The proposed sale area is within the North Slope Borough. Communities in the vicinity of the proposed sale include Kaktovik, Nuiqsut, Barrow, and Prudhoe Bay/Deadhorse.

In January, about 6,200 acres were added to the proposed sale. This acreage includes tract C-36-013 and portions of tracts C-36-009 and C-36-012. The added acreage in tract C-36-012 was previously subject to a valid state oil and gas lease and has been added to Sale 36 under AS 38.05.180(d)(1). Tract C-36-013 and sections 13, 14, and portions of sections 10, 11, 12, 15, and 22 of tract C-36-009 are contiguous to submerged land already under state lease and have been added to the sale under AS 38.05.180(d)(2). On March 4, 1982 the Department of Natural Resources held a hearing as required by the statute. The Commissioner has made a written finding that the leasing of this acreage will result in a substantial probability of early evaluation and development.

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. To meet this requirement, the Director has developed environmental and social terms and conditions for tracts leased in Sale 36. Lease stipulations will be enforced throughout the term of the lease. Measures will also be imposed through approval of plans of operations and other permits as needed to mitigate undesirable social and environmental effects of lease related activities.

The stipulations and terms describe standards that must be met by the operators with regard to water quality and appropriation, gravel extraction, oil spill prevention and cleanup, construction of roads, pipelines and other lease related structures and facilities, public access, disposal of waste, drilling muds and cuttings and produced waters, timing and routing of exploration and development activities, rehabilitation of abandoned sites, and additional permits and approvals. These stipulations and terms are necessary to protect the unique biological, archeological, and social aspects of the sale area.

In support of the lease sale, the Director of the Division of Minerals and Energy Management has prepared a final written finding under AS 38.05.035(a)(14) which sets forth the facts and applicable law upon which she has determined that the proposed action will best serve the interests of the state. The Director's written finding and decision is available to the public upon request at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage or by writing DMEM at Pouch 7-005, Anchorage, Alaska 99510. Additional information on the proposed sale is available to prospective bidders and members of the public at DMEM.

  
\_\_\_\_\_  
Kay Brown  
Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

Phone: (907) 276-2653

April 7, 1982

### Sale 36 Information to Bidders

#### 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 unless the commissioner determines that an omission was immaterial or due to excusable inadvertance and if the omission is corrected within one week after receipt of a notice of deficiency.
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 Natural Resources.
4. No bid containing or accompanied by any condition, qualification, or material alteration will be considered.

#### B. Pre-Qualification of Bidders

In order to submit bids for this sale, bidders must be qualified to bid prior to the sale date of May 26, 1982. Qualification procedures are as follows:

1. Individuals - An individual bidder must have a Statement of Qualifications on file at DMEM certifying that he or she is at least 18 years old and a citizen of the United States or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen. The statement must include the bidder's name, address, and telephone number and must be signed and dated. If an agent is signing the bid form on behalf of an individual, a notarized power-of-attorney document evidencing the authority of the agent to act on behalf of the individual must be on



file at DMEM. If a guardian, trustee, or legal representative of an individual is signing on behalf of that individual, a certified copy of the court order authorizing him to act in that capacity and to fulfill the individual's obligations arising under any lease issued to the individual must be on file at DMEM. A signed statement as to the citizenship and age of the guardian, trustee, or legal representative and the individual must also be submitted to DMEM.

2. Corporations - Corporations must have the following documents on file at DMEM prior to the lease sale:

- a. Copy of 1982 Certificate of Compliance.
- b. The current address and phone number of the corporation.
- c. A list of the current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

A Certificate of Compliance can be obtained by sending 60 cents to State of Alaska, Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811 and requesting the certificate. The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws, and is thus qualified to do business in the state. If information previously filed by corporations that have previously qualified to do business in Alaska is still current, this information may be incorporated together with a statement as to any material changes or amendments. However, a 1982 Certificate of Compliance is required for this sale.

3. Corporations That Have Not Previously Qualified To Do Business in Alaska - A corporation that has not previously qualified to do business in Alaska must submit the following documents to DMEM:

- a. If the corporation is a foreign corporation, it must submit a copy of its Certificate of Authority. If the corporation is a domestic corporation, it must submit a copy of its Certificate of Incorporation. A foreign corporation is one that has been incorporated outside the State of Alaska. A domestic corporation is one that has been incorporated within the State of Alaska.
- b. The current address and phone number of the corporation.
- c. A list of the current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

In order to receive a Certificate of Authority, foreign corporations must submit a packet of completed forms entitled "Instructions for qualifying a foreign corporation to do business in the State of Alaska" to the Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811. In order to receive a Certificate of Incorporation, domestic corporations must submit Articles of Incorporation to the Department of Commerce and Economic Development. These forms can be obtained by writing or telephoning DMEM, Pouch 7-005, Anchorage, Alaska, 99510 (276-2653). Upon proper application, the Department of Commerce and Economic Development will issue a Certificate of Authority or Certificate of Incorporation. Please allow two to three weeks for the processing of these Certificates.

4. Partnerships or Other Unincorporated Associations - A partnership or unincorporated association must submit the following documents to DMEM prior to the lease sale:

- a. A statement describing the business relationships between members or partners.
- b. A statement of qualifications for each member stating that each member is at least 18 years of age and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen.
- c. If an agent is signing the bid form on behalf of the partnership or association, a notarized power-of-attorney defining the agent's authority to sign the bid on behalf of the partnership or association.

C. Bid Submission

All bids will be accepted by the Director of the Division of Minerals and Energy Management or her authorized agent in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska, between the hours of 9:00 a.m. and 3:00 p.m. on May 25, 1982. Bids that are mailed to the Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510 must be received no later than May 24, 1982. Bids will also be accepted at the Division's temporary office at the Travelers Inn in Fairbanks between 7:30 a.m. and 9 a.m. on May 26, 1982. No bids tendered after 9:00 a.m. on the day of the sale, May 26, 1982, will be accepted.

Bids will be received and processed on May 26 in the following manner:

1. 7:30 a.m. - 9:00 a.m. - bids will be received in the "Rampart Room".
2. 9:00 a.m. - closing of bid submission.

3. 9:00 a.m. - 10:00 a.m. - opening of the bids by DMEM personnel. The opening of bids is for the sole purpose of publicly announcing and recording bids received. No bids will be accepted or rejected at this time.
4. 10:00 a.m. - public reading of the bids will begin in the "Gold Room".

D. Form for Submission of Bids

1. A separate bid must be submitted for each tract.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked "State of Alaska Competitive Oil and Gas Lease Sale 36; not to be opened until 9:00 a.m., May 26, 1982; Tract # \_\_\_\_." No other statements, information, or identification should appear on the outside of the envelope.

The following items must be contained in each envelope:

- a. An executed bid form DMEM-8 (5/82) or an exact copy of that form. All bidders should state their name, company (if applicable), address, and telephone number on the bid form.
  - b. Bid Deposit: Check or money order made payable to the "Department of Revenue, State of Alaska." Bid deposits must be in U.S. dollars and must be tendered in cash or by money order, cashier's check or certified check in the total amount of 20% of the total cash bonus being offered for the tract. No bid for less than a full tract will be considered.
3. Pursuant to 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person who 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 who 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 persons. 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.

E. Method of Handling Bid Deposits

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Acceptance 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 2 to 4 p.m., May 26, 1982, at the Travelers Inn in Fairbanks. Bid deposits also will be returned from 1 to 3 p.m., May 27, 1982, and from 8:30 a.m. to 3 p.m., May 28, 1982, in Room 31, Third Floor, 555 Cordova Street, Anchorage.

3. A bidder whose bid deposit for an apparent high bid is tendered by cashier's check or certified check drawn on a bank outside Fairbanks, Alaska, must wire transfer funds in the amount of such bid deposit (if more than \$50,000) on May 27, 1982, no later than noon E.S.T. (7 a.m. A.S.T.), to the credit of the State of Alaska Investment Account, Bank of America, NT&SA, San Francisco, California, to the attention of: Elizabeth Stephens, Securities Clearance Department, #3298. It is not necessary that separate wire transfers be made if more than one bid deposit is being transferred to the account; however, each apparent high bidder making a wire transfer to this account must Telex the following information to Bank of America (Telex No. 9-34-0534) with a copy to the Alaska Department of Revenue, Treasury Division (Telex No. 099-45-333): the amount of each bid deposit comprising the wire transfer, the tract number to which each bid deposit applies, the originating bank of the wire transfer, and the name(s) of the bidder's partner(s), if any, on whose behalf a bid deposit is being wire transferred. Upon notification of receipt of a wire transfer, the cashier's check(s) and certified check(s) for the bid deposit(s) corresponding to that wire transfer will be returned from 1 p.m. to 3 p.m. May 27, 1982, and from 8:30 a.m. to 3 p.m. May 28, 1982 in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska.
4. If a bid deposit for an apparent high bid is tendered in cash, by money order, or is a certified or cashier's check drawn on a Fairbanks, Alaska bank, the bidder will not be required to wire transfer federal funds for that bid deposit. Such checks will be presented May 26, 1982, for payment in federal funds at the banks upon which they are drawn.
5. Upon rejection by the State of Alaska of any apparent high bid, the amount of the bid deposit for that bid will be returned by wire transfer to a bank designated by the bidder. A bidder who is unable to pick up a bid deposit in the manner described in E(2) and E(3) above may submit with the bid written instructions for return of the bid deposit.
6. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified by certified mail of the lease award and will be sent two copies of the lease for signature. Within 30 days of the date that the bidder receives notification of the lease award, the bidder must: 1) sign both copies of the lease; 2) return them to the Division of Minerals and Energy Management for execution; 3) pay the balance of the cash bonus and accrued interest; and 4) pay for the first year annual rental. Interest of 13.399% per annum (which is the market interest rate for 90-day U.S. Treasury bills prevailing during the week of March 29 - April 2nd) will be charged on the balance of the cash bonus accruing from the date of the successful bidder's receipt of the notification of the lease award to the date of payment. The successful bidder owes interest from the day that he receives the bid acceptance letter until the day before the money is paid. Interest should 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 State of Alaska Investment Account at the Bank of America, NT & SA, San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. The wire transfer should specify on whose behalf and on what tracts the balance, interest, and rental is being paid. 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.

In addition, the successful bidder must simultaneously send the following information by telex to the State of Alaska, Department of Revenue, Treasury Division, attention of : Peter Bushre at Telex #099-45333: The amount of rental, interest, and balance of cash bonus being paid per tract; the name(s) of the bidder(s) on whose behalf the funds are being wire transferred; and the originating bank of the wire transfer.

### Terms of Sale 36

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management (DMEM), the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the State's best interest. Lease stipulations will be enforced throughout the term of the lease. "Plans of Operations and Other Terms of Sale" lists those measures that will be imposed through Plans of Operations and other permits as needed to mitigate the social and environmental effects of lease-related activities.

#### LEASE STIPULATIONS

##### 1. Spill Prevention Control and Countermeasure (SPCC) Plan:

A Spill Prevention, Control and Countermeasure Plan must be submitted to the Department of Environmental Conservation for approval prior to onshore drilling operations and construction of onshore oil and gas storage facilities (with a capacity of greater than 660 gallons), transfer, and transportation facilities. In addition to addressing the prevention, detection and cleanup of oil, the SPCC plan for drilling operations should include, but not be limited to, methods for controlling blowouts, location of spill clean-up equipment, identification and location of a suitable alternative drilling rig, and the time required to obtain, mobilize, rig-up, and commence drilling of a relief well, if needed.

##### 2. Discovery of historic or archeologic objects:

In the event any site, or structure, or object of historic or archeologic significance is discovered during the conduct of any operations on the leased area, the lessee must report immediately such findings to the Director, DMEM, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director, after consultation with the State Historic Preservation Officer, has given directions as to its preservation.

##### 3. Seasonal Drilling Stipulation:

Offshore exploratory wells are subject to seasonal drilling restrictions which will be announced prior to approval of drilling on Sale 36 tracts. Present restrictions limit exploratory drilling and testing and other downhole exploratory activities for wells outside the barrier islands to the period November 1 through March 31. On and inside the barrier islands, these activities may continue to May 15 if the lessee demonstrates the ability to operate safely and ice conditions justify. These restrictions were applied to leases issued as a result of the 1979 Joint Federal/State Beaufort Sea Sale. These restrictions are currently being re-evaluated by the Commissioner of Natural Resources, who will decide whether they are to be eliminated, modified or retained. The re-evaluation will consider the latest biological information, technology, economics and public comment. The decision made by the Commissioner with regard to the 1979 Joint Federal/State Beaufort Sea lease sale area will be applied to the offshore tracts offered in Sale 36 for the 1982-1983 drilling season. For subsequent drilling seasons, the seasonal drilling

restriction may be eliminated, modified or retained based on the latest biological information, technology, economics and public comment. Salient points to be used for determining whether surface locations are inside or outside the barrier islands are listed under terms of sale, page 16, item number 40.

#### PLANS OF OPERATIONS AND OTHER TERMS OF SALE

Lessees must submit a detailed plan of operations to the Division of Minerals and Energy Management for approval prior to conducting any exploratory or development operations. The lessee shall, concurrently with its submission to DMEM, submit an informational copy of its plan of operations to the North Slope Borough. The following conditions and restrictions will be imposed as a condition of the approval of plans of operations:

1. Road and pipeline crossings must be aligned perpendicular or near perpendicular to watercourses. Permanent facilities will be prohibited within 500 feet (152 m) of the Canning River, including the Staines River branch. Other facilities will be prohibited within 100 feet (30 m) of all other streams unless the Director, Division of Minerals and Energy Management, determines that such a requirement is not feasible or prudent.
2. Measures will be required to minimize the impact of industrial development on key wetlands, waterfowl and shorebirds. Key wetlands include Deep Arctophila ponds and lakes (Class IV), Basin - complex wetlands (Class VI) and Coastal wetlands (Class VIII). Measures will include restricting certain facility siting to the least environmentally sensitive portions of these wetlands. Specific measures include the requirements that:
  - a. Lessees identify on a map or aerial photograph the largest surface area within which it is anticipated that a facility is to be sited, or an activity is to occur. The map or photograph must accompany the plan of operations submitted to DMEM. DMEM and the Department of Fish and Game will identify the least environmentally sensitive area(s) within the industry-identified area of interest. The industry identified surface area must be large enough to contain the proposed facility and to accommodate planned expansion.
  - b. Drill pads, roads, pipelines and other facilities must be sited outside of productive Class IV, VI and VIII wetlands, unless the Director, DMEM, after consultation with the Department of Fish and Game, determines that there are no feasible alternatives.
  - c. Where facilities must be sited within Class IV, VI or VIII wetlands, such facilities will be sited, designed and constructed in a manner that will maintain natural hydrological patterns and prevent oil contamination.
  - d. Draining or dewatering Class IV, VI and VIII wetlands is prohibited.

3. Impermeable lining and diking will be required for sewage ponds and onshore oil storage facilities (with a storage capacity greater than 660 gallons). Maximum sized buffer zones of up to 1,500 feet will be required to separate oil storage facilities (with a capacity greater than 660 gallons) and sewage ponds from freshwater supplies, streams, lakes, Class IV, VI and VIII wetlands and marine areas unless the Director, DMEM, determines that such a requirement is not feasible or prudent. Sumps and reserve pits must be impermeable and otherwise fully contained through diking or other means.
4. All lease activities and structures must be designed to maintain normal water flow or drainage patterns and to allow free movement and safe passage to fish and mammals, both onshore and offshore, unless the Director, DMEM, after consultation with the Department of Fish and Game, determines that such a design is not feasible or prudent.
5. Exploration activities must be supported only by ice roads, winter trails, existing road systems, and air service. On-tundra travel may be permitted if the Director, Division of Land and Water Management and the Director, DMEM, determine that travel can be accomplished without disturbing the vegetative mat or an emergency condition exists.
6. Facilities and surface transportation routes must avoid sensitive fish and wildlife habitat and must be consolidated to the extent feasible and prudent.
7. No restriction of public access to, or use of, the leased area will be permitted as a consequence of oil and gas activities except in the immediate vicinity of drill sites, buildings and other related structures. Such areas where access is proposed to be restricted must be identified in the plan of operations. No lease facilities or operations may be located where they would block public access to or along navigable and public waters as defined in AS 38.05.365(22) and (23). If lease facilities are proposed to be located in the vicinity of these public waters, an easement will be reserved under AS 38.05.127 and 11 AAC 53.330 to ensure the right of public access.
8. The lessee must include in any exploration and/or development plans a proposed environmental training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Director, DMEM. The program must be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program must be formulated and implemented by qualified instructors experienced in each pertinent field of study and must employ effective methods to insure that personnel understand and use techniques necessary to preserve archeological, geological, and biological resources. The program must also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating.



The lessee must also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

9. The proposed activities under a plan of operations must not diminish the use and enjoyment of a Native allotment.
10. Solid waste disposal on natural or artificial islands and in marine waters, rivers, streams, natural lakes and Class IV, VI and VIII wetlands is prohibited. Before the lessees dispose of solid waste in other areas, the disposal must be approved by the Commissioner, Department of Environmental Conservation.
11. An Oil Discharge Contingency Plan will be required for offshore operations under AS 46.04.030 and 18 AAC 75.
12. Discharge of produced water, drilling muds, and cuttings:
  - a. Disposal of produced water to freshwater bodies is prohibited. Disposal of produced waters in upland areas, including wetlands, will be by subsurface disposal techniques, except that the Commissioner of the Department of Environmental Conservation may permit alternate disposal methods if he determines that subsurface disposal techniques are not feasible or prudent. Disposal of produced waters to Class IV, VI and VIII wetlands is prohibited.
  - b. Discharge of produced waters into marine waters of less than 10 meters in depth is prohibited. The Commissioner of the Department of Environmental Conservation may approve discharge in tracts where water depth is greater than 10 meters based on a case-by-case review of local circulation, depth, suspended material, and biological sensitivity factors.
  - c. Discharge of drilling muds and cuttings to lakes, streams, rivers, and Class IV, VI and VIII wetlands is prohibited. Offshore disposals in areas other than indicated above must be free of hydrocarbon contamination and will be subject to case-by-case approval by the Department of Environmental Conservation. Uplands disposals of contaminated muds and cuttings may be made into sumps and reserve pits which are impermeable and otherwise fully contained through diking or other means.
13. Exploration facilities, with the exception of drill pads, will be temporary and must not be constructed of gravel. However, use of existing abandoned gravel structures may be permitted on an individual basis by the Director, DMEM, after consultation with the Director of the Division of Land and Water Management and the Department of Fish and Game. Approval for use of abandoned structures will depend on the extent and method of restoration needed to return these structures to a usable condition.

14. In meeting gravel needs for exploration, development, and production, gravel from nearby abandoned drill pads must be used first unless the Director, Division of Land and Water Management determines, after consultation with the Director, DMEM, and the Department of Fish and Game, that the reuse of such sources is not feasible and prudent.
15. Gravel mining sites required for exploration activities must not be located within the annual floodplains (from vegetation line to vegetation line) of watercourses, unless the Director, Division of Land and Water Management determines, after consultation with the Department of Fish and Game, that a floodplain source will cause the least adverse environmental impact. Mining site development and rehabilitation within floodplains must follow the procedures outlined in Gravel Removal Guidelines For Arctic and Subarctic Floodplains, 1980, U.S. Fish and Wildlife Service-Woodward Clyde Consultants.
16. Borrow extraction from barrier islands is prohibited. Borrow extraction from lagoons and nearshore areas is prohibited unless the Director, Division of Land and Water Management finds, in consultation with the Department of Fish and Game, that, on the basis of scientific evidence, borrow extraction in these areas will not adversely affect the environment or that no alternative feasible or prudent sources exist.
17. Gravel mining sites required for development activities will be restricted to the minimum number of upland or approved offshore sites needed to develop the field efficiently and with minimal environmental damage. Where feasible, upland gravel sites will be designed and constructed to function as reservoirs for winter water supplies. Gravel mining will not be allowed from annual floodplains (from vegetation line to vegetation line) during development and production activities, unless the Director, Division of Land and Water Management, after consultation with the Department of Fish and Game, determines that there is no other feasible and prudent alternative.
18. Pipelines will be located so as to facilitate the containment and clean up of spilled hydrocarbons. Where feasible, pipelines will be located on the upslope side of roadways and construction pads unless it can be demonstrated that an alternative site is an acceptable environmental alternative.
19. All garbage and refuse will be incinerated. Residue and nonburnables will be disposed of at an approved upland site. No new solid fill disposal sites, except possibly for the disposal of drilling muds and cuttings, will be approved during the exploratory phase.
20. Except for those on approved drill sites, stationary fuel storage facilities shall not be placed, nor vehicle refueling occur, within the annual floodplain (vegetation line to vegetation line) of a fish-bearing stream. Exceptions may be allowed during the permitting process under AS 16.06.870 for the refueling of slow-moving construction equipment (such as graders, tractor pulled scrapers and front end loaders) within floodplains.

21. Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, or production activities, the lessee must conduct an inventory of archeological and historical sites within the area affected by a proposed activity. Such inventory must consider literature provided by the North Slope Borough and local residents, documentation of oral history regarding historic and prehistoric uses of such sites, evidence of consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory must also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory must be submitted to the Director, DMEM, for distribution to the Director of the Division of Parks and the Mayor of North Slope Borough for purposes of review and comment. In the event that an archeological or historical site or area may be adversely affected by an activity, the Director, DMEM, after consultation with the Director of the Division of Parks and the North Slope Borough, will direct the lessee as to what course of action will be necessary to mitigate the adverse effect.
22. Upon abandonment of drilling sites, roads, buildings, airstrips or other facilities, such facilities will be removed and the site rehabilitated, unless the Director, DMEM determines, after consultation with the departments of Fish and Game and Environmental Conservation, that such removal and rehabilitation is not in the state's interest.
23. The following measures will be imposed to protect the Canning River, including the Staines River branch:
  - a. Alteration of river banks is prohibited.
  - b. Except for approved stream crossings, equipment must not be operated within willow stands (Salix spp.).
  - c. The operation of equipment in open water areas that appear in winter (from freezeup until spring breakup) will be prohibited.
  - d. Bridges must be used as watercourse crossings whenever feasible. Culverts may be used only when bridges are shown not to be feasible or prudent. The siting, design, and construction of both bridges and culverts must be approved by the Department of Fish and Game prior to the placement of either of these structures.
  - e. Removal of freshwater or snow cover from the river will be prohibited from freeze up until spring breakup.
  - f. Water intake pipes utilized for summer water removal from the river must be surrounded by a screened enclosure to prevent fish entrainment and impingement. Pipes and screening must be designed and constructed so that the maximum water velocity at the surface of the screen enclosure is no greater than 0.1 foot

per second. Screen mesh size shall not exceed 0.04 inch unless another size has been approved by the Department of Fish and Game.

- g. To protect fish and other aquatic fauna, high explosives must not be detonated within, beneath, or in close proximity to fish-bearing waters unless prior drilling indicates that the waterbody, including its substrate, is solidly frozen. The minimum acceptable offset from fish-bearing waters for various size charges is:

1 pound charge	--	50 feet
2 pound charge	--	75 feet
5 pound charge	--	125 feet
10 pound charge	--	150 feet
25 pound charge	--	250 feet
100 pound charge	--	500 feet
500 pound charge	--	1200 feet
1,000 pound charge	--	1600 feet

24. The lessee will be responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting. Water appropriations shall be authorized pursuant to AS 46.15.
25. The following measures will be required to minimize impacts on the Central Arctic Caribou Herd:
- a. Exploratory drilling operations may be restricted or prohibited on tracts C-36-011 and C-36-012 between May 15 and June 25 to protect caribou calving areas. Development and production activities, with the exception of drilling, maintenance and operation of production wells, may be restricted or prohibited on tracts C-36-011 and C-36-012 between May 15 and June 25, except that such activities will be allowed on a year-round basis in any core area of intense activity. In order to assist the Director, Division of Minerals and Energy Management, in determining the validity of restrictions, the lessee may be required to conduct caribou monitoring studies in consultation with the Department of Fish and Game.
  - b. Pipelines must be constructed to allow safe passage of caribou and moose. Adequate elevation, ramping, or burial of pipelines will be required in areas identified by the Department of Fish and Game as important caribou movement zones.
26. Routes of travel must avoid preferred polar bear denning habitat unless human safety dictates otherwise. Polar bears are known to den predominately within 25 miles of the coastline in deeply drifted areas (6 ft. or greater) adjacent to the cutbanks of drainages. The use of explosives will be prohibited within 1/4 mile of such cutbanks identified by the Department of Fish and Game.

27. Offshore geophysical surveys will be restricted as necessary during the spring to comply with the provisions of the Marine Mammal Protection Act.
28. Offshore geophysical surveys will be restricted as necessary during the fall to comply with the provisions of the Endangered Species Act as they relate to the bowhead whale. In determining these restrictions, the Director DMEM will, at a minimum, consult with the North Slope Borough, the Alaska Eskimo Whaling Commission and affected permittees.
29. In conducting offshore geophysical surveys, neither lessees nor their agents will use high explosives in open water areas.
30. The following provisions will govern aircraft operations in and near the sale area.
  - a. From May 15 through September 30, aircraft must fly at altitudes of greater than 1,500 feet (457 m) or at a horizontal distance of one mile around barrier island and lagoon areas, river deltas, and wetlands within one mile of the Beaufort Sea coastline (excluding take-offs and landings).
  - b. From May 15 through June 20, aircraft overflights within 30 miles (24 km) of the coast between the Sagavanirktok and Canning Rivers must avoid caribou by an altitude of at least 1,500 feet (457 m) or a horizontal distance of one mile (1.6 km) (excluding take-offs and landings).
  - c. Human safety will take precedence over aircraft restrictions.
31. Drilling platforms or structures in tracts or portions of tracts located beyond the barrier islands in water depths in excess of 13 meters will be prohibited until such time as a test platform or structure of the same type to be drilled from has been in existence in the area at a depth in excess of 13 meters for a period of two winter seasons. An independent engineering firm must certify the test structure before drilling operations are approved. Certified structures of the same type built on existing Alaska Beaufort Sea leases will meet the test structure requirements for Sale 36.
32. Continuous fill causeways will be prohibited. Noncontinuous fill causeways may be permitted when the Director, DMEM, determines that a causeway is necessary for field development and that no other feasible and prudent alternative exists.
33. Surface use will be restricted, as necessary, to prevent unreasonable conflicts with local subsistence harvests.
34. Oil and gas transportation pipelines will be encouraged if the Director, DMEM, determines that the laying of such pipelines is technically feasible and environmentally preferable. Pipelines, including flow and gathering lines, must be designed and constructed to provide adequate protection from water currents, storm and ice

scouring, subfreezing conditions, and other hazards as determined on a case-by-case basis. Following the installation of a pipeline of sufficient capacity, no crude oil will be transported by surface vessel from offshore production sites, except in an emergency. The Director, DMEM, will evaluate the emergency and determine an appropriate response to the condition. If the use of a pipeline is not feasible and preferable and surface transportation must be employed, all vessels used for carrying hydrocarbons to shore will conform with all standards established for such vessels, pursuant to the Ports and Waterways Safety Act of 1972 (46 U.S.C. 391(a)).

35. Bidders are advised that the North Slope Borough (NSB) Assembly has adopted an interim zoning ordinance under Title 29 of the Alaska Statutes. The interim zoning ordinance requires NSB approval for certain activities necessary for exploration and development of the lease. The state may not in all instances accept this assertion of jurisdiction.
36. During the conduct of all activities related to this lease, the lessee will be subject to the provisions of all valid coastal zone plans and ordinances. DMEM will require, as a condition for approval of lease operations, such modification or stipulations as may be necessary to ensure consistency with the Coastal Management Act, and with sound planning and management of coastal zone resources.
37. Plans of operations for lease activities and specific permit applications which are subject to approval by the U.S. Corps of Engineers or which require a Certificate of Reasonable Assurance from the Department of Environmental Conservation must be submitted simultaneously for state agency review and approval, at least 60 days prior to the proposed conduct of such activities.
38. If only the subsurface estate is owned by the state, or if the surface is owned by the state but subject to third party interests, the lessee must not enter upon such land until the lessee makes a good faith effort to agree with the surface interest holder on settlement of damages that may be caused by lease activities. If an agreement cannot be reached, Director, DMEM, has the authority to approve the activity, provided adequate provisions have been made with the state to pay for any damages the surface interest holder may suffer.
39. Many of the environmental concerns associated with the offshore tracts within the area of the Joint Federal-State Beaufort Sea Sale (Sale 30) apply to the offshore tracts in the Sale 36 area. Consequently, in the enforcement of Stipulation No. 3 and Terms of Sale Nos. 8, 27, 28 and 34 of Sale 36, the Director, DMEM, will continue to receive recommendations from a biological task force composed of designated representatives of the following state agencies: Department of Fish and Game, Department of Environmental Conservation, and Department of Natural Resources. In addition, representatives of interested federal agencies, including the Bureau of Land Management, U.S. Fish and Wildlife Service, Minerals

Management Service, the National Marine Fisheries Service, and the Environmental Protection Agency will be afforded the opportunity to continue their participation in these consultations.

40. For the purpose of administering stipulation No. 3, the following salient points will be used for determining surface locations which are located inside or outside the barrier islands:

<u>LATITUDE</u>	<u>LONGITUDE</u>	<u>STATION NAME (ZONE 6 U.T.M.)</u>
70° 10' 05.00" N=7,784,820.74	145° 53' 34.00" E=541,923.40	16045-30
70° 10' 57.50" N=7,786,404.93	145° 57' 20.00" E=539.518.73	16045-29
70° 11' 15.00" N=7,786,931.40	145° 58' 47.50" E=538,590.07	16045-28
70° 11' 34.00" N=7,787,499.50	146° 00' 45.50" E=537,340.70	16045-27
70° 11' 47.49994" N=7,787,900.210	146° 02' 29.49957" E=536,241.660	16045-26
70° 12' 13.99980" N=7,788,666.370	146° 08' 18.00020" E=532,569.860	16045-23
70° 13' 55.49976" N=7,791,697.380	146° 23' 07.50024" E=523,199.030	16045-14
70° 29' 50.99976" N=7,821,463.120	147° 57' 33.00038" E=464,261.260	16061-56
70° 28' 17.60000" N=7,818,760.640	148° 14' 29.70006" E=453,680.400	16061-49
70° 28' 59.79984" N=7,820,116.030	148° 18' 12.39981" E=451,400.890	16061-46
70° 29' 02.99984" N=7,820,220.400	148° 18' 36.00025" E=451,158.630	16061-45
70° 29' 10.76890" N=7,820,495.510	148° 21' 08.02495" E=449,589.760	16061-3(N)
70° 29' 10.92193" N=7,820,503.970	148° 21' 24.14700" E=449,422.940	16061-2(N)
70° 29' 10.60165" N=7,820,498.720	148° 21' 44.31031" E=449,213.950	16061-1(N)

70° 29' 09.10775"  
N=7,820,457.850

148° 22' 07.52560"  
E=448,972.540

16061-3(S)

70° 25' 42.60001"  
N=7,814,331.120

148° 39' 29.79993"  
E=438,006.820

16061-7

The line connecting the salient points listed above will be utilized for defining "inside" and "outside" the barrier islands. This line is not intended to have any other legal effect.

41. Lessees will be eligible for exploration incentive credits for exploration wells as provided in 11 AAC 83.800, 11 AAC 83.805, 11 AAC 83.815, and 11 AAC 83.820 as those regulations exist on the effective date of the lease. Credits will be earned at a rate of \$750 per foot drilled for the first exploratory well per tract, provided that credits cannot exceed 40% of the total exploratory well costs. The credits must be earned and used within 10 years of the effective date of the lease.



# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

May 12, 1982

#### STATE OF ALASKA 2ND SUPPLEMENTAL NOTICE OIL & GAS LEASE SALE 36

REGARDING: SEASONAL DRILLING STIPULATION, EXPLORATION INCENTIVE CREDITS AND  
LOCAL HIRE REQUIREMENT

Bidders are advised of the following supplemental information for Sale 36 concerning changes in the original seasonal drilling stipulation no. 3, clarification of term no. 41 which deals with exploration incentive credits, and the addition of a new term of sale (term no. 42) dealing with local hire.

#### Stipulation 3 (Seasonal Drilling Stipulation)

The following stipulation replaces stipulation no. 3 in the final notice of sale under AS 38.05.345(a)(4) for Sale 36, dated April 7, 1982:

This stipulation will be periodically reevaluated on the basis of experience and new information.

A principle purpose of this stipulation is to insure that the migration route of the bowhead whale will be oil free in the fall.

This stipulation assumes compliance with otherwise applicable laws and regulations, including a Plan of Operations approved by the Department of Natural Resources (DNR) and an Oil Discharge Contingency Plan approved by the Department of Environmental Conservation (DEC).

The restrictions set out below apply only to exploratory drilling. As a matter of policy, the State does not intend to impose seasonal drilling restrictions during development or production stages; however, seasonal restrictions may be imposed in the development and production stages where they are necessary to satisfy requirements of the federal Endangered Species Act, and other applicable state and federal laws and regulations.

The seasonal drilling restriction does not apply to exploratory operations on Flaxman Island and on any other islands subsequently identified by the Commissioner of Natural Resources, in consultation with the Commissioners of Environmental Conservation and Fish and Game, as analogous to upland areas because of their size and configuration.

Logistical, construction, and other activities related to exploratory drilling may be restricted outside the barrier islands during the fall whale migration.

A whale study and monitoring program, developed in consultation with the National Marine Fisheries Service, will be required in an effort to measure the impact of noise and other disturbances on bowhead whale behavior and on the migration. If adverse impacts are shown, the activities which have caused them will be suspended until the whales leave the area.

This stipulation assumes that adequate funding and trained personnel will be available for monitoring and enforcement of applicable restrictions.

Tier 1 is effective immediately. Tier 2 will be available on a case-by-case basis for each proposed well.

#### TIER 1

##### A. On and inside the barrier islands

1. Exploratory drilling and other downhole activities above a predetermined threshold depth\* will be allowed year-round.
2. Exploratory drilling and other downhole activities below a predetermined threshold depth will be allowed from November 1 to May 15, except at the mouths of major rivers, where exploratory drilling and other downhole activities below a predetermined threshold depth must cease by April 30 unless the Commissioner of Natural Resources, in consultation with the Commissioners of Fish and Game and Environmental Conservation, determines that ice conditions justify an extension to May 15. Exploratory drilling and other downhole activities below a predetermined threshold depth will be allowed during the open water period except during the fall bowhead whale migration.
3. Testing will be allowed year-round provided that casing has been set through the zones to be tested and DNR and DEC find compliance with applicable laws and regulations.

\* The threshold depth as used in this stipulation is a point above which major accumulations of hydrocarbons are not likely. This depth will be determined on a case-by-case basis by the Division of Minerals and Energy Management after consultation with the Alaska Oil and Gas Conservation Commission and, when appropriate, the Minerals Management Service.

B. Outside the barrier islands

1. Exploratory drilling and other downhole activities above a predetermined threshold depth will be allowed year-round except during the fall bowhead whale migration.
2. Exploratory drilling and other downhole activities below a predetermined threshold depth will be allowed from November 1 to May 15.
3. Testing will be allowed year-round except during the fall bowhead whale migration, provided that casing has been set through the zones to be tested and DNR and DEC find compliance with applicable laws and regulations.

TIER 2

All exploratory drilling and other downhole activities will be allowed areawide year-round except outside the barrier islands during the fall bowhead whale migration. Whale monitoring will be required to determine when the whales are actually migrating through or near the area.

This modification of the drilling restriction will be approved on a case-by-case basis for the benefit of lessees who demonstrate compliance with applicable laws and regulations, including the theoretical and physical capability to detect, contain, clean up and dispose of spilled oil in broken ice conditions.

The State (DEC) believes that lessees do not currently possess adequate capability to clean up oil in broken ice. Therefore, as a matter of policy, the State will not approve exploratory drilling and other downhole activities, except as described in Tier 1, during broken ice conditions unless and until the lessee can demonstrate the capability to clean up oil in broken ice.

Term 41 (Exploration Incentive Credits)

Term of sale no. 41 is amended by adding:

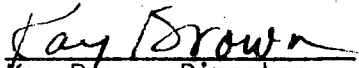
For purposes of administering 11 AAC 83.820(2)(A) and 11 AAC 83.820(2)(B), the following interpretations will apply:

- a. The Reindeer Island stratigraphic test completed April 11, 1979, will not be considered a well drilled for oil and gas.
- b. Upon request of the lessee, the Commissioner will determine prior to drilling whether a proposed well will test a distinctly separate exploration target.

Term 42 (Local Hire Requirement)

The following is added to the list of terms for Sale 36 contained in the final notice of sale:

The lessee is encouraged to hire Alaska residents to perform work done by or for it within the State of Alaska in connection with this lease to the extent that residents are available, willing and qualified. The lessee must submit to the Director, DMEM, a program detailing the affirmative steps it will take to recruit and hire Alaska residents and the statistical indicators it will use to document the program's success. The lessee will submit these statistics annually to the Director, DMEM.

  
Kay Brown, Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

June 24, 1982

#### -NOTICE-

#### COMPETITIVE OIL AND GAS LEASE SALE 37 (Middle Tanana Basin and Copper River Basin)

The Department of Natural Resources, Division of Minerals and Energy Management (DMEM) gives formal notice under AS 38.05.345(a)(4) of its intention to offer lands for competitive oil and gas lease. Sale 37 includes about 860,000 acres of land within two areas: the Middle Tanana Basin, including about 632,000 acres in the Nenana area; and the Copper River Basin, including about 228,000 acres west of Glennallen in the Lake Louise area.

The sale will be conducted by the Department of Natural Resources under the authority of Alaska Statute 38.05.180. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the oil and gas that may be discovered within the leased area. In order to bid at the sale bidders must prequalify prior to the sale date. Potential bidders should consult DMEM for prequalification procedures. Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

Sale 37 is scheduled to be held on August 24, 1982 at the Travelers Inn, 620 Noble, Fairbanks, Alaska. Bids will be received and processed on August 24 in the following manner:

1. 8:00 - 9:00 a.m. - bids will be received in the "Gold Room".
2. 9:00 a.m. - closing of bid submission.
3. 9:00 - 10:30 a.m. - bids will be opened.
4. 10:30 a.m. - a public reading of the bids will begin in the "Gold Room".

Bids also will be accepted from 9 a.m. to 3 p.m. on August 23, 1982 in Room 31 (3rd floor), 555 Cordova Street, Anchorage, Alaska. Bids that are sent by mail must be sent to: Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510, and must be received by August 23, 1982.

Any lease issued as a result of this sale will be executed on Form No. DMEM-1-82 (NET PROFIT SHARE) which was revised April 7, 1982.

The bidding method will be cash bonus bidding with a fixed royalty of 12.5% and a fixed net profit share of 30%.

All tracts will have an initial primary term of 7 years.

Lessees will be eligible for exploration incentive credits for exploration wells as provided in 11 AAC 83.800, 11 AAC 83.805, 11 AAC 83.815, and 11 AAC 83.820 as those regulations exist on the effective date of the lease. Credits will be earned at a rate of \$250 per foot drilled for the first exploratory well per tract, provided that credits cannot exceed 30% of the total exploratory well costs. The credits must be earned and used within 7 years of the effective date of the lease. Bidders are advised that the Commissioner will in all instances approve the assignment of credits earned in Sale 37.

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.

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the departmental status plats or as necessary to protect identified surface resource values.

The Department of Natural Resources has determined that all water bodies within the sale area are public or navigable. Easements, if necessary to ensure public access, will be reserved during the review of individual lease plans of operations. Prior to the commencement of lease operations, an oil and gas lease bond for a minimum amount of \$10,000 per operation is required. In the alternative, a statewide oil and gas lease bond 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 \$100,000 for a single well or a \$200,000 bond to cover wells statewide before drilling operations will be permitted by AOGCC.

The state reserves the right to delete or contract proposed tracts at any time up to and including the day of the sale. Tract maps are available at DMEM.

Communities near the Tanana tracts include the first class city of Nenana, the second class city of Anderson, the villages of Minto, Manley, Tanana, and the Clear military reservation. Access to the area is provided via the Parks Highway, the Alaska Railroad, and several "winter" roads.

Eureka and Glennallen are near the Copper River portion of the sale area. Road access to the area is available from the Glenn Highway and the Lake Louise Road.

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. To meet this requirement, the Director has developed environmental and social terms and conditions for

tracts leased in Sale 37. Lease stipulations will be enforced throughout the term of the lease. Measures will also be imposed through approval of plans of operations and other permits as needed to mitigate undesirable social and environmental effects of lease related activities.

The stipulations and terms describe standards that must be met by the operators with regard to water quality and appropriation, gravel extraction, oil spill prevention and cleanup, construction of roads, pipelines and other lease related structures and facilities, public access, disposal of waste, drilling muds and cuttings and produced waters, timing and routing of exploration and development activities, rehabilitation of abandoned sites, and additional permits and approvals. These stipulations and terms are necessary to protect the unique biological, archeological, and social aspects of the sale area.

In support of the lease sale, the Director of the Division of Minerals and Energy Management has prepared a final written finding under AS 38.05.035(a)(14) which sets forth the facts and applicable law upon which she has determined that the proposed action will best serve the interests of the state. The Director's written finding and decision will be available to the public within one week at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage or by writing DMEM at Pouch 7-005, Anchorage, Alaska 99510. Additional information on the proposed sale is available to prospective bidders and members of the public at DMEM.



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Kay Brown  
Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

Phone: (907)276-2653

June 24, 1982

### Sale 37 Information to Bidders

#### 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 unless the Commissioner determines that an omission was immaterial or due to excusable inadvertence and if the omission is corrected within one week after receipt of a notice of deficiency.
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 Natural Resources.
4. No bid containing or accompanied by any condition, qualification, or material alteration will be considered.

#### B. Pre-Qualification of Bidders

In order to submit bids for this sale, bidders must be qualified to bid prior to the sale date of August 24, 1982. Qualification procedures are as follows:

1. Individuals - An individual bidder must have a Statement of Qualifications on file at DMEM certifying that he or she is at least 18 years old and a citizen of the United States or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen. The statement must include the bidder's name, address, and telephone number and must be signed and dated. If an agent is signing the bid form on behalf of an individual, a notarized power-of-attorney document evidencing the authority of the agent to act on behalf of the individual must be on



file at DMEM. If a guardian, trustee, or legal representative of an individual is signing on behalf of that individual, a certified copy of the court order authorizing him to act in that capacity and to fulfill the individual's obligations arising under any lease issued to the individual must be on file at DMEM. A signed statement as to the citizenship and age of the guardian, trustee, or legal representative and the individual must also be submitted to DMEM.

2. Corporations - Corporations must have the following documents on file at DMEM prior to the lease sale:

- a. Copy of 1982 Certificate of Compliance.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

A Certificate of Compliance can be obtained by sending 60 cents to State of Alaska, Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811 and requesting the certificate. The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws, and is thus qualified to do business in the state. If information previously filed by corporations that have previously qualified to do business in Alaska is still current, this information may be incorporated together with a statement as to any material changes or amendments. However, a 1982 Certificate of Compliance is required for this sale.

3. Corporations That Have Not Previously Qualified To Do Business in Alaska - A corporation that has not previously qualified to do business in Alaska must submit the following documents to DMEM:

- a. If the corporation is a foreign corporation, it must submit a copy of its Certificate of Authority. If the corporation is a domestic corporation, it must submit a copy of its Certificate of Incorporation. A foreign corporation is one that has been incorporated outside the State of Alaska. A domestic corporation is one that has been incorporated within the State of Alaska.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

In order to receive a Certificate of Authority, foreign corporations must submit a packet of completed forms entitled "instructions for qualifying a foreign corporation to do business in the State of Alaska" to the Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811. In order to receive a Certificate of Incorporation, domestic Corporations must submit Articles of Incorporation to the Department of Commerce and Economic Development. These forms can be obtained by writing or telephoning DMEM, Pouch 7-005, Anchorage, Alaska, 99510 (276-2653). Upon proper application, the Department of Commerce and Economic Development will issue a Certificate of Authority or Certificate of Incorporation. Please allow two to three weeks for the processing of these Certificates.

4. Partnerships or Other Unincorporated Associations - A partnership or unincorporated association must submit the following documents to DMEM prior to the lease sale:
  - a. A statement describing the business relationships between members or partners.
  - b. A statement of qualifications for each member stating that each member is at least 18 years of age and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen.
  - c. If an agent is signing the bid form on behalf of the partnership or association, a notarized power-of-attorney defining the agent's authority to sign the bid on behalf of the partnership or association.

C. Bid Submission

All bids will be accepted by the Director of the Division of Minerals and Energy Management or her authorized agent in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska, between the hours of 9 a.m. and 3 p.m. on August 23, 1982. Bids that are mailed to the Director, DMEM Pouch 7-005, Anchorage, Alaska 99510 must be received no later than August 23, 1982. Bids will also be accepted at the Division's temporary office at the Travelers Inn in Fairbanks between 8 a.m. and 9 a.m. on August 24, 1982. No bids tendered after 9 a.m. on the day of the sale, August 24, 1982, will be accepted.

Bids will be received and processed on August 24 in the following manner:

1. 8:00 a.m. - 9:00 a.m. - bids will be received in the "Gold Room".
2. 9:00 a.m. - closing of bid submission.

3. 9:00 a.m. - 10:30 a.m. - opening of the bids by DMEM personnel. The opening of bids is for the sole purpose of publicly announcing and recording bids received. No bids will be accepted or rejected at this time.
4. 10:30 a.m. - public reading of the bids will begin in the "Gold Room".

D. Form for Submission of Bids

1. A separate bid must be submitted for each tract.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked "State of Alaska Competitive Oil and Gas Lease Sale 37; not to be opened until 9 a.m., August 24, 1982; Tract #\_\_\_\_." No other statements, information, or identification should appear on the outside of the envelope.

The following items must be contained in each envelope:

- a. An executed bid form DMEM-9(8/82) or an exact copy of that form. All bidders should state their name, company (if applicable), address, and telephone number on the bid form.
  - b. Bid Deposit: Check or money order made payable to the "Department of Revenue, State of Alaska." Bid deposits must be in U.S. dollars and must be tendered in cash or by money order, cashier's check or certified check in the total amount of 20% of the total cash bonus being offered for the tract. No bid for less than a full tract will be considered.
3. Pursuant to 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person who 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 who 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 persons. 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.

E. Method of Handling Bid Deposits

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Acceptance 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 1:30 to 2:30 p.m., August 24, 1982, at the Travelers Inn in Fairbanks. Bid deposits also will be returned from 1 to 3 p.m. on August 25, 1982 in Room 31, Third Floor, 555 Cordova Street, Anchorage.

3. A bidder whose bid deposit for an apparent high bid is tendered by cashier's check or certified check drawn on a bank other than the Alaska National Bank of the North in Fairbanks, must wire transfer funds in the amount of such bid deposit (if more than \$50,000) on August 25, 1982, no later than noon E.S.T. (7 a.m. A.S.T.), to the credit of the State of Alaska Investment Account, Bank of America, N.T. & S.A., San Francisco, California, to the attention of: Elizabeth Stephens, Securities Clearance Department, #3298. It is not necessary that separate wire transfers be made if more than one bid deposit is being transferred to the account; however, each apparent high bidder making a wire transfer to this account must Telex the following information to Bank of America (Telex No. 9-34-0534) with a copy to the Alaska Department of Revenue, Treasury Division (Telex No. 099-45-333): the amount of each bid deposit comprising the wire transfer, the tract number to which each bid deposit applies, the originating bank of the wire transfer, and the name(s) of the bidder's partner(s), if any, on whose behalf a bid deposit is being wire transferred. Upon notification of receipt of a wire transfer, the cashier's check(s) and certified check(s) for the bid deposit(s) corresponding to that wire transfer will be returned from 1 p.m. to 3 p.m., August 25, 1982, and from 8:30 a.m. to 3 p.m., August 26, 1982 in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska.
4. If a bid deposit for an apparent high bid is tendered in cash, by money order, or is a certified or cashier's check drawn on the Alaska National Bank of the North in Fairbanks, the bidder will not be required to wire transfer federal funds for that bid deposit. Such checks will be presented August 24, 1982, for payment in federal funds at the Alaska National Bank of the North in Fairbanks.
5. Upon rejection by the State of Alaska of any apparent high bid, the amount of the bid deposit for that bid will be returned by wire transfer to a bank designated by the bidder. A bidder who is unable to pick up a bid deposit in the manner described in E(2) and E(3) above may submit with the bid written instructions for return of the bid deposit.
6. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified by certified mail of the lease award and will be sent two copies of the lease for signature. Within 30 days of the date that the bidder receives notification of the lease award, the bidder must: 1) sign both copies of the lease; 2) return them to the Division of Minerals and Energy Management for execution; 3) pay the balance of the cash bonus and accrued interest; and 4) pay for the first year annual rental. Interest of 12.248% per annum (which is the market interest rate for 90-day U.S. Treasury bills prevailing during the week of June 14 -18) will be charged on the balance of the cash bonus accruing from the date of the successful bidder's receipt of the notification of the lease award to the date of payment. The successful bidder owes interest from the day that he receives the bid acceptance letter until the day before the money is paid. Interest should 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 shall 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 State of Alaska Investment Account at the Bank of America, NT & SA, San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. The wire transfer should specify on whose behalf and on what tracts the balance, interest, and rental is being paid. 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.

In addition, the successful bidder must simultaneously send the following information by telex to the State of Alaska, Department of Revenue, Treasury Division, attention of: Peter Bushre at Telex #099-45333: The amount of rental, interest, and balance of cash bonus being paid per tract; the name(s) of the bidder(s) on whose behalf the funds are being wire transferred; and the originating bank of the wire transfer.

## MITIGATING MEASURES

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management, hereafter the Director, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. The following stipulations and terms of sale have been developed considering the Social, Economic, and Environmental Analysis for Sale 37, the Preliminary Analysis of the Director Regarding Oil and Gas Lease Sale 37, interagency discussion, and public comment. Lease stipulations will be enforced throughout the lease term. Measures listed under "Plans of operations and other terms of sale" will be imposed through Plans of Operations and other permits as needed to mitigate the social and environmental effects of lease-related activities.

### Lease Stipulations

#### 1. Spill Prevention, Control, and Countermeasure (SPCC) Plan:

A Spill Prevention, Control, and Countermeasure Plan must be approved by the Department of Environmental Conservation prior to drilling operations and construction of facilities for oil and gas storage (of greater than 660 gallons capacity), transfer, and transportation. The SPCC Plan must delineate how the lessee will prevent, detect, clean-up, and control blow-outs and other accidental releases of oil. The Plan must also describe the location of spill clean-up equipment, identify suitable alternative drilling rigs and their location, and specify the time required to commence and complete drilling of a relief well.

#### 2. Discovery of historic or archeologic objects:

If the lessee discovers any site, structure, or object of historic or archeologic significance during conduct of operations on the leased area, the lessee must immediately report such findings to the Director and make every reasonable effort to preserve such site, structure or object until the Director, after consultation with the State Historic Preservation Officer, makes provisions for its protection.

#### 3. Slide Mountain Flats Moose Wintering Area:

The Department of Fish and Game must approve siting, design, and timing of gravel road construction and existing trail improvement within Tracts 179-190 and 205-210. Lessees may be required to restrict public access to gravel roads and improved trails if the Department of Fish and Game determines that such restrictions are necessary.

### Plans of Operations and Other Terms of Sale

Bidders are advised that if the state owns the surface of the lease area, if the lease reserves a net profit share to the state, or if a surface owner other than the state so requests, the lessee must submit a detailed plan of operations to the Division of Minerals and Energy Management prior to

commencement of any exploratory or developmental operations. Approval of the lessee's plan of operations will be conditioned upon their adherence to the following restrictions:

1. Except for road and pipeline crossings which will be perpendicular to watercourses, facilities will be prohibited within 500 feet (152 m) of all riverbanks, streambanks, and lakeshores, within one-quarter mile (0.4 km) of the Toklat, Tanana, Kantishna, Bearpaw, Nenana, Teklanika, and Nelchina Rivers, Totchaket Slough, Tolsana Creek, Mendeltna Creek, Twin Lakes and Linder Lakes, unless the Director determines, after consultation with the Department of Fish and Game, that such facilities placement will not disturb critical wildlife habitats and that alternative sites are not feasible or prudent.
2. Sewage ponds and oil storage facilities of more than 660 gallon capacity must be impermeably lined and diked and must be separated from freshwater supplies, streams, rivers, lakes, and wetlands by 1500 feet unless the Director determines that such separation is not feasible or prudent. Sump and reserve pits will be rendered impermeable and otherwise fully contained through diking or other means.
3. All activities and structures must be designed to maintain normal water flow and drainage patterns and to allow unrestricted movement and safe passage of fish and mammals unless the Director determines, after consultation with the Department of Fish and Game, that such design is not feasible or prudent. Facilities must be consolidated to the extent feasible and prudent.
4. Exploration facilities, except for drill pads, will be temporary and not constructed of gravel. Exploration activities must be supported by winter roads and trails, air service, and existing roads, except for local roads connecting air strips or gravel mining sites with exploratory drill pads. Permanent roads will not be constructed during exploration unless the Director, Division of Land and Water Management, determines that such construction is in the state's best interest and serves a multipurpose state objective for use of other resources. In making this decision, the Director, Division of Land and Water Management, will consult the Directors of the Divisions of Minerals and Energy Management, Forestry, and Agriculture, the Department of Environmental Conservation, and the Department of Fish and Game. When allowed, permanent roads must be designed and constructed to the satisfaction of Director, Division of Land and Water Management, in consultation with the agencies listed above.
5. Surface entry into wetlands will be restricted to winter when sufficient ground frost and snow are present to prevent damage to soils and vegetation unless the Director determines, after consultation with the Division of Land and Water Management, that surface entry at other times will not damage soils or vegetation, and, after consultation with the Department of Fish and Game, that surface entry at other times will not disturb wildlife during critical periods.
6. No restriction of public access to and use of the lease area will be permitted as a consequence of the lessee's activities except as provided in Stipulation 3 and except in the immediate vicinity of drill sites,

buildings, and other related structures. The location of restricted areas must be identified in the plan of operations. Lease facilities and operations must not block public access to or along navigable or public waters as defined in AS 38.05.365(22) and (23). If facilities are proposed in the vicinity of navigable or public waters, an easement will be reserved under AS 38.05.127 and 11 AAC 53.330.

7. The lessee is required to conduct an environmental training program for all personnel involved in exploration and development of the lease sale area, including the personnel of the lessee's contractors and subcontractors. The lessee's personnel must be informed of the environmental, social, and cultural concerns specific to the sale area and of the techniques necessary to preserve archeological, geological, and biological resources. The program must be formulated and implemented by instructors experienced in each field, and a plan describing the program must be submitted to the Director.
8. Surface entry, fixed-wing aircraft flights below 500 vertical feet, and helicopter flights below 1500 vertical feet will be prohibited within one-quarter mile of Trumpeter Swan nests between 1 May and 10 September. Powerlines, roads, pipelines, and other facilities will be prohibited within one-quarter mile of Trumpeter Swan nests. In the Tanana sale area, concentrations of nesting Trumpeter Swans are found in Tracts 10-12, 20-23, and 81-84. In the Copper River sale area, Trumpeter Swans nest in Tracts 157-174 and 179-184. The Department of Fish and Game will make maps identifying documented Trumpeter Swan nest site locations available to the Director and lessees within 60 days of the date a request for approval of a plans of operations is received.
9. Peregrine Falcons have historically nested on the banks of the Tanana River near Nenana. If Peregrine Falcons re-use these nest sites, lessees of Tracts 13-19 could be required to modify their plans of operations. If the lessee discovers previously unreported active or inactive Peregrine Falcon nest sites, the lessee must immediately report the nest locations to the Director. Mitigating measures, including seasonal restriction of surface entry and aircraft overflights and prohibition of most permanent facilities construction within two miles, will be required to comply with state and federal Endangered and Protected Species Acts.
10. If the lessee discovers previously unreported active or inactive Bald Eagle nest sites, the lessee must immediately report the nest locations to the Director. Permanent facilities may be prohibited within one-quarter mile (0.4 km) and will be prohibited within 500 feet of Bald Eagle nests, whether currently active or inactive. Surface entry within 500 feet of all active Bald Eagle nests will be prohibited between 1 April and 31 August. Temporary activities within 500 feet of Bald Eagle nest sites may be allowed between 1 September and 31 March if they will not alter Bald Eagle habitat. The Department of Fish and Game will make maps identifying documented Bald Eagle nest site locations available to the Director and lessees within 60 days of the date a request for approval of a plans of operations is received.



11. Gravel Removal:

- a. Gravel from any nearby abandoned drill pads and existing material sites must be exploited before other sources during exploration and development unless the Director, Division of Land and Water Management, after consultation with the Director and the Department of Fish and Game, determines that use of such sources is not feasible or prudent.
  - b. Gravel removal from active floodplains of rivers and streams will be prohibited during exploration and development unless the Director, Division of Land and Water Management, after consultation with the Department of Fish and Game, finds that use of existing state-approved material sites is not feasible or prudent. If gravel removal from an active floodplain is the preferred alternative, the site must be developed and rehabilitated according to the procedures described in Gravel Removal Guidelines Manual for Arctic and Subarctic Floodplains (1980) by Woodward-Clyde Consultants, Anchorage. This manual is U.S. Fish and Wildlife Service - Office of Biological Services Publication 80-09 and is available from the U.S. Fish and Wildlife Service, 1011 E. Tudor, Anchorage, Alaska 99503.
  - c. The number of gravel mining sites approved will be the minimum needed for efficient field development with minimal environmental damage. Where feasible, upland gravel sites should be constructed to function as winter water reservoirs also .
  - d. Gravel removal from eskers during exploration and development will be prohibited unless the Director, Division of Land and Water Management, determines, after consultation with the Department of Fish and Game, that important wildlife habitat will not be lost and there are not other feasible or prudent gravel sources.
12. Extensive forest clearing by bulldozer or other means solely for seismic exploration must be approved by the Director, after consultation with the Division of Land and Water Management and the Department of Fish and Game.
13. Plans for solid waste disposal must be approved by the Commissioner, Department of Environmental Conservation. Refuse must be incinerated and the residue, along with other nonburnable refuse, disposed of at an approved upland site. While awaiting incineration, refuse must be stored in a manner that will not attract or trap mammals or birds. No new solid fill disposal sites will be approved during exploration except for the disposal of drilling muds and cuttings.
14. Upon abandonment, all facilities constructed by the lessee must be removed and the site rehabilitated unless the Director determines, after consultation with the Department of Environmental Conservation and Department of Fish and Game, that such removal and rehabilitation is not in the state's best interest.
15. Discharge of produced water, drilling muds, and cuttings:
- a. Discharge of produced waters into freshwater bodies is prohibited. In upland areas, including wetlands, disposal of produced waters must

be by subsurface techniques. The Commissioner, Department of Environmental Conservation, may approve use of alternative disposal methods if the lessee can demonstrate that subsurface disposal is not feasible or prudent.

- b. Discharge of drilling muds and cuttings into freshwater bodies, including wetlands, is prohibited, and plans for their disposal must be approved by the Department of Environmental Conservation. Mud Sumps and reserve pits must be rendered impermeable and otherwise fully contained through diking or other means.

16. Fish-bearing Stream Protection:

- a. Riverbank alterations and equipment operation within riparian habitat must be approved by the Department of Fish and Game.
- b. The location, design, and construction of all road and pipeline crossings of fish-bearing streams must be approved by the Department of Fish and Game. Bridges, rather than culverts, will be the preferred method of watercrossing. Culverts may be used if they will not block fish passage; bottomless arch culverts will be preferred over either round or elliptical culverts, which must be buried one-fifth of the culvert's diameter into the stream's thaw leg.
- c. In winter, from the time of ice formation on streams until breakup, the following activities will be prohibited in fish-bearing streams unless approved by the Department of Fish and Game:
  - (1) equipment operation in open water areas and where under-ice water is present.
  - (2) removal of water or snow cover.
  - (3) compaction of snow cover.
- d. Intake pipes for summer water removal must be surrounded by a screened enclosure. Maximum water velocity at the surface of this enclosure must not exceed 0.1 foot per second; screen mesh size must not exceed 0.04 inch, unless approved by the Department of Fish and Game.
- e. Unless drilling immediately prior to the proposed explosions shows that the stream and its substrate are solidly frozen, the minimum distance between fish-bearing streams and charge location will be:

<u>Charge (lbs)</u>	<u>Distance from stream (ft.)</u>
1	50
2	75
5	125
10	150
25	250
100	500

- f. Stationary fuel storage facilities will be prohibited within the active floodplain of a fish-bearing stream. Slow moving equipment may be refueled within active floodplains with the approval of the Department of Fish and Game.

Lessees are advised that anadromous streams in the lease sale area include, but may not be limited to:

- (1) Middle Tanana Basin - Tanana, Kantishna, Toklat, Bearpaw, and Nenana Rivers, Seventeen Mile and Lost Sloughs, and Clear Creek.
  - (2) Copper River Basin - Mendeltna and Tolsona Creeks.
17. The lessee will be responsible for maintaining an adequate winter water supply through use of storage reservoirs, water hauling, snow melting or wells. Removal of water or snow cover from fish-bearing streams during winter must be approved by the Department of Fish and Game (see 16 C above). Winter water removal from natural lakes and fish-bearing streams must be approved by the Division of Land and Water Management.
  18. Surface use will be restricted, as necessary, to prevent unreasonable conflicts with local subsistence harvests.
  19. The proposed activities under a plan of operations must not diminish the use and enjoyment of lands encompassed within a native allotment. Before entering a pending or approved native allotment, lessees must get prior approval from the Bureau of Indian Affairs and comply with applicable federal law. For information on pending native allotments in the Fairbanks area, lessees may contact the Tanana Chiefs Conference, Inc., Doyon Building, 201 First Avenue, Fairbanks, Alaska 99701.
  20. If only the subsurface rights are owned by the state, or if the surface is owned by the state but subject to third party interests, the lessee must not enter upon such land until a good faith effort has been made to agree with the surface interest holder on settlement of any damages caused by the lessee. If agreement cannot be reached, the Director may approve the lessee's activities provided the lessee makes provisions under AS 38.05.130 to pay for any damages to the surface interest holder.
  21. Pipelines must be buried, elevated or ramped to allow passage of caribou and moose.
  22. Pipelines will be located to facilitate the containment and clean up of spilled hydrocarbons. Where feasible, pipelines will be located on the upslope side of roads and construction pads unless it can be demonstrated that an alternative site is an acceptable environmental alternative.
  23. Lessees will conduct an archeological and historical site inventory areas affected by their exploration, development, and production activities. Before facilities construction begins, this inventory must be submitted to the Director for distribution to the Director, Division of Parks. The inventory must:
    - a. identify historical and archeological sites within areas to be affected by lessee activities.

- b. describe their current condition based on site visits.
- c. document their historic and prehistoric use.
- d. discuss the potential effects of lessee activities on these sites.

Lessees must consult the Alaska Heritage Resources Survey and the National Register of Historic Places; oral accounts of local residents must also be considered. If an identified site could be adversely affected by lessee activities, the Director, after consultation with the Director, Division of Parks, will determine what measures must be used to mitigate such effects, before construction begins.

- 24. Tracts 27-29, 33-38, 41-55, 57, 58, 60-62, 64-71, 92-94, 98, 99, 102 and 103 are in an area proposed by the state for agricultural disposal, and some restrictions on surface entry and facilities siting on these tracts may be required. Plans of Operations involving activities on these tracts will be reviewed by the Division of Agriculture. Whenever feasible and prudent, drill pads and other oil and gas facilities will not be located on Class II or III soils, as defined by the Division of Agriculture.
- 25. In approving water appropriations and freshwater wells within the Toklat River drainage, the Director, Division of Land and Water Management, will consult with the Department of Fish and Game.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

June 24, 1982

#### -NOTICE-

#### COMPETITIVE OIL AND GAS LEASE SALE 37A (Chakok River)

The Department of Natural Resources, Division of Minerals and Energy Management (DMEM) gives formal notice under AS 38.05.345(a)(4) of its intention to offer lands for competitive oil and gas lease. Sale 37A includes about 1875 acres of land on the Kenai Peninsula.

The sale will be conducted by the Department of Natural Resources under the authority of Alaska Statute 38.05.180. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the oil and gas that may be discovered within the leased area. In order to bid at the sale bidders must prequalify prior to the sale date. Potential bidders should consult DMEM for prequalification procedures. Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

Sale 37A is scheduled to be held in conjunction with Sale 37 on August 24, 1982 at the Travelers Inn, 620 Noble, Fairbanks, Alaska. Bids will be received and processed on August 24 in the following manner:

1. 8:00 a.m. - 9:00 a.m. - bids will be received in the "Gold Room".
2. 9:00 a.m. - closing of bid submission.
3. 9:00 a.m. - 10:30 a.m. - bids will be opened.
4. 10:30 a.m. - a public reading of the bids will begin in the "Gold Room".

Bids also will be accepted from 9 a.m. to 3 p.m. on August 23, 1982 in Room 31 (3rd floor), 555 Cordova Street, Anchorage, Alaska. Bids that are sent by mail must be sent to: Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510, and must be received by August 23, 1982.

Any lease issued as a result of this sale will be executed on Form No. DMEM-2-82 (ROYALTY) which was revised April 7, 1982. This form is identical to form DMEM-1-82 (NET PROFIT SHARE) except that paragraph 38 (SHARE OF NET PROFIT) has been eliminated.

The bidding method will be cash bonus bidding with a fixed royalty of 43%.

All tracts will have an initial primary term of 7 years.

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.

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the departmental status plats or as necessary to protect identified surface resource values.

The Department of Natural Resources has determined that all water bodies within the sale area are public or navigable. Easements, if necessary to ensure public access, will be reserved during the review of individual lease plans of operations. Prior to the commencement of lease operations, an oil and gas lease bond for a minimum amount of \$10,000 per operation is required. In the alternative, a statewide oil and gas lease bond 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 \$100,000 for a single well or a \$200,000 bond to cover wells statewide before drilling operations will be permitted by AOGCC.

The state reserves the right to delete or contract proposed tracts at any time up to and including the day of the sale. Tract maps are available at DMEM.


The proposed sale area is within the Kenai Peninsula Borough. Communities in the vicinity of the proposed sale include Anchor Point and Homer.

The Chakok River sale is being offered as "exempt" acreage under the terms of AS 38.05.180(d)(1). This provision in the state oil and gas leasing statute allows the Commissioner of the Department of Natural Resources to issue oil and gas leases in an area that has not been included in the five-year leasing program if "the land to be leased was previously subject to a valid state or federal oil and gas lease". This entire tract was previously subject to state oil and gas lease ADL #53914, which was issued in June, 1971 and expired in May, 1981.

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. To meet this requirement, the Director has developed environmental and social terms and conditions for tracts leased in Sale 37A. Lease stipulations will be enforced throughout the term of the lease. Measures will also be imposed through approval of plans of operations and other permits as needed to mitigate undesirable social and environmental effects of lease related activities.

The stipulations and terms describe standards that must be met by the operators with regard to water quality and appropriation, gravel extraction, oil spill prevention and cleanup, construction of roads, pipelines and other lease related structures and facilities, public access, disposal of waste, drilling muds and cuttings and produced waters, timing and routing of exploration and development activities, rehabilitation of abandoned sites, and additional permits and approvals. These stipulations and terms are necessary to protect the unique biological, archeological, and social aspects of the sale area.

In support of the lease sale, the Director of the Division of Minerals and Energy Management has prepared a final written finding under AS 38.05.035(a)(14) which sets forth the facts and applicable law upon which she has determined that the proposed action will best serve the interests of the state. The Director's written finding and decision will be available within two weeks at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage or by writing DMEM at Pouch 7-005, Anchorage, Alaska 99510. Additional information on the proposed sale is available to prospective bidders and members of the public at DMEM.

  
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Kay Brown  
Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

Phone: (907)276-2653

June 24, 1982

### Sale 37A Information to Bidders

#### 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 unless the Commissioner determines that an omission was immaterial or due to excusable inadvertence and if the omission is corrected within one week after receipt of a notice of deficiency.
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 Natural Resources.
4. No bid containing or accompanied by any condition, qualification, or material alteration will be considered.

#### B. Pre-Qualification of Bidders

In order to submit bids for this sale, bidders must be qualified to bid prior to the sale date of August 24, 1982. Qualification procedures are as follows:

1. Individuals - An individual bidder must have a Statement of Qualifications on file at DMEM certifying that he or she is at least 18 years old and a citizen of the United States or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen. The statement must include the bidder's name, address, and telephone number and must be signed and dated. If an agent is signing the bid form on behalf of an individual, a notarized power-of-attorney document evidencing the authority of the agent to act on behalf of the individual must be on



file at DMEM. If a guardian, trustee, or legal representative of an individual is signing on behalf of that individual, a certified copy of the court order authorizing him to act in that capacity and to fulfill the individual's obligations arising under any lease issued to the individual must be on file at DMEM. A signed statement as to the citizenship and age of the guardian, trustee, or legal representative and the individual must also be submitted to DMEM.

2. Corporations - Corporations must have the following documents on file at DMEM prior to the lease sale:

- a. Copy of 1982 Certificate of Compliance.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

A Certificate of Compliance can be obtained by sending 60 cents to State of Alaska, Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811 and requesting the certificate. The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws, and is thus qualified to do business in the state. If information previously filed by corporations that have previously qualified to do business in Alaska is still current, this information may be incorporated together with a statement as to any material changes or amendments. However, a 1982 Certificate of Compliance is required for this sale.

3. Corporations That Have Not Previously Qualified To Do Business in Alaska - A corporation that has not previously qualified to do business in Alaska must submit the following documents to DMEM:

- a. If the corporation is a foreign corporation, it must submit a copy of its Certificate of Authority. If the corporation is a domestic corporation, it must submit a copy of its Certificate of Incorporation. A foreign corporation is one that has been incorporated outside the State of Alaska. A domestic corporation is one that has been incorporated within the State of Alaska.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

In order to receive a Certificate of Authority, foreign corporations must submit a packet of completed forms entitled "Instructions for qualifying a foreign corporation to do business in the State of Alaska" to the Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811. In order to receive a Certificate of Incorporation, domestic corporations must submit Articles of Incorporation to the Department of Commerce and Economic Development. These forms can be obtained by writing or telephoning DMEM, Pouch 7-005, Anchorage, Alaska, 99510 (276-2653). Upon proper application, the Department of Commerce and Economic Development will issue a Certificate of Authority or Certificate of Incorporation. Please allow two to three weeks for the processing of these Certificates.

4. Partnerships or Other Unincorporated Associations - A partnership or unincorporated association must submit the following documents to DMEM prior to the lease sale:

- a. A statement describing the business relationships between members or partners.
- b. A statement of qualifications for each member stating that each member is at least 18 years of age and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen.
- c. If an agent is signing the bid form on behalf of the partnership or association, a notarized power-of-attorney defining the agent's authority to sign the bid on behalf of the partnership or association.

C. Bid Submission

All bids will be accepted by the Director of the Division of Minerals and Energy Management or her authorized agent in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska, between the hours of 9:00 a.m. and 3:00 p.m. on May 25, 1982. Bids that are mailed to the Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510 must be received no later than May 24, 1982. Bids will also be accepted at the Division's temporary office at the Travelers Inn in Fairbanks between 7:30 a.m. and 9 a.m. on May 26, 1982. No bids tendered after 9:00 a.m. on the day of the sale, May 26, 1982, will be accepted.

Bids will be received and processed on May 26 in the following manner:

1. 7:30 a.m. - 9:00 a.m. - bids will be received in the "Rampart Room".
2. 9:00 a.m. - closing of bid submission.

3. 9:00 a.m. - 10:00 a.m. - opening of the bids by DMEM personnel. The opening of bids is for the sole purpose of publicly announcing and recording bids received. No bids will be accepted or rejected at this time.
4. 10:00 a.m. - public reading of the bids will begin in the "Gold Room".

D. Form for Submission of Bids

1. A separate bid must be submitted for each tract.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked "State of Alaska Competitive Oil and Gas Lease Sale 36; not to be opened until 9:00 a.m., May 26, 1982; Tract #\_\_\_\_\_." No other statements, information, or identification should appear on the outside of the envelope.

The following items must be contained in each envelope:

- a. An executed bid form DMEM-8 (5/82) or an exact copy of that form. All bidders should state their name, company (if applicable), address, and telephone number on the bid form.
  - b. Bid Deposit: Check or money order made payable to the "Department of Revenue, State of Alaska." Bid deposits must be in U.S. dollars and must be tendered in cash or by money order, cashier's check or certified check in the total amount of 20% of the total cash bonus being offered for the tract. No bid for less than a full tract will be considered.
3. Pursuant to 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person who 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 who 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 persons. 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.

E. Method of Handling Bid Deposits

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Acceptance 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 2 to 4 p.m., May 26, 1982, at the Travelers Inn in Fairbanks. Bid deposits also will be returned from 1 to 3 p.m., May 27, 1982, and from 8:30 a.m. to 3 p.m., May 28, 1982, in Room 31, Third Floor, 555 Cordova Street, Anchorage.

3. A bidder whose bid deposit for an apparent high bid is tendered by cashier's check or certified check drawn on a bank other than the Alaska National Bank of the North in Fairbanks, must wire transfer funds in the amount of such bid deposit (if more than \$50,000) on August 25, 1982, no later than noon E.S.T. (7 a.m. A.S.T.), to the credit of the State of Alaska Investment Account, Bank of America, N.T. & S.A., San Francisco, California, to the attention of: Elizabeth Stephens, Securities Clearance Department, #3298. It is not necessary that separate wire transfers be made if more than one bid deposit is being transferred to the account; however, each apparent high bidder making a wire transfer to this account must Telex the following information to Bank of America (Telex No. 9-34-0534) with a copy to the Alaska Department of Revenue, Treasury Division (Telex No. 099-45-333): the amount of each bid deposit comprising the wire transfer, the tract number to which each bid deposit applies, the originating bank of the wire transfer, and the name(s) of the bidder's partner(s), if any, on whose behalf a bid deposit is being wire transferred. Upon notification of receipt of a wire transfer, the cashier's check(s) and certified check(s) for the bid deposit(s) corresponding to that wire transfer will be returned from 1 p.m. to 3 p.m., August 25, 1982, and from 8:30 a.m. to 3 p.m., August 26, 1982 in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska.
4. If a bid deposit for an apparent high bid is tendered in cash, by money order, or is a certified or cashier's check drawn on the Alaska National Bank of the North in Fairbanks, the bidder will not be required to wire transfer federal funds for that bid deposit. Such checks will be presented August 24, 1982, for payment in federal funds at the Alaska National Bank of the North in Fairbanks.
5. Upon rejection by the State of Alaska of any apparent high bid, the amount of the bid deposit for that bid will be returned by wire transfer to a bank designated by the bidder. A bidder who is unable to pick up a bid deposit in the manner described in E(2) and E(3) above may submit with the bid written instructions for return of the bid deposit.
6. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified by certified mail of the lease award and will be sent two copies of the lease for signature. Within 30 days of the date that the bidder receives notification of the lease award, the bidder must: 1) sign both copies of the lease; 2) return them to the Division of Minerals and Energy Management for execution; 3) pay the balance of the cash bonus and accrued interest; and 4) pay for the first year annual rental. Interest of 12.248% per annum (which is the market interest rate for 90-day U.S. Treasury bills prevailing during the week of June 14 - 18) will be charged on the balance of the cash bonus accruing from the date of the successful bidder's receipt of the notification of the lease award to the date of payment. The successful bidder owes interest from the day that he receives the bid acceptance letter until the day before the money is paid. Interest should 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 shall 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 State of Alaska Investment Account at the Bank of America, NT & SA, San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. The wire transfer should specify on whose behalf and on what tracts the balance, interest, and rental is being paid. 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.

In addition, the successful bidder must simultaneously send the following information by telex to the State of Alaska, Department of Revenue, Treasury Division, attention of: Peter Bushre at Telex #099-45333: The amount of rental, interest, and balance of cash bonus being paid per tract; the name(s) of the bidder(s) on whose behalf the funds are being wire transferred; and the originating bank of the wire transfer.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

July 26, 1982

### STATE OF ALASKA 2nd SUPPLEMENTAL NOTICE OIL AND GAS LEASE SALES 37 AND 37A

Bidders are advised that the Department of Natural Resources has adopted revisions to its oil and gas leasing regulations and lease forms.

(a) Regulations. Revisions have been made to the following sections: 11 AAC 83.158, Plan of Operations; 11 AAC 83.202, Payment Due State; 11 AAC 83.219, Development Costs; 11 AAC 83.224, Valuation of Oil or Gas; 11 AAC 83.240, Direct Operating Costs; 11 AAC 83.243, Direct Charges; 11 AAC 83.244, Pricing of Materials and Supplies; 11 AAC 83.245, Reporting and Payment Requirements; 11 AAC 83.247, Redetermination; 11 AAC 83.295, Definitions; 11 AAC 83.306, Application for Unit Approval; 11 AAC 83.336, Effective Date and Term of Unit Agreement; 11 AAC 83.346, Unit Plan of Operations; 11 AAC 83.361, Certification of Well Test Results; 11 AAC 83.366, Unit Operating Agreement; 11 AAC 83.373, Severance; 11 AAC 83.800, Exploration Incentive Credits.

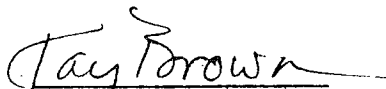
The amended regulations were filed with the Lieutenant Governor in Juneau on July 16, 1982 and will be effective on August 15, 1982. These revisions will apply to all leases issued as a result of Competitive Oil and Gas Lease Sales 37 and 37A, which are scheduled for August 24, 1982.

(b) Lease forms. Any lease issued as a result of Sale 37 will be executed on Form No. DMEM-3-82 (NET PROFIT SHARE), which was revised July 23, 1982. This form is identical to the prior lease form (DMEM-1-82 NET PROFIT SHARE), except that: 1) Paragraph 9, Plan of Operations, has been revised to conform with the changes to 11 AAC 83.158; and 2) Paragraph 15, Unitization, has been revised to conform with the changes to 11 AAC 83.373.

Any lease issued as a result of Sale 37A will be executed on Form No. DMEM-4-82 (ROYALTY), which was revised July 23, 1982. This form is identical to form DMEM-1-82 (NET PROFIT SHARE) except that: 1) Paragraph 9, Plan of Operations, has been revised to conform with the changes to 11 AAC 83.158; 2) Paragraph 15, Unitization, has been revised to conform with the changes to 11 AAC 83.373; and 3) Paragraph 38, Share of Net Profit, has been eliminated.

Copies of the revised regulations and revised lease form language are available at the Division of Minerals and Energy Management, 555 Cordova, Pouch 7-005, Anchorage 99510 or by telephoning DMEM at (907) 276-2653, extension 4247.

This 2nd Supplemental Notice contains all information included in the first Supplemental Notice dated July 23, 1982 and published in Alaska newspapers.

  
Kay Brown, Director

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

August 25, 1982

-NOTICE-

### COMPETITIVE OIL AND GAS LEASE SALE 34 PRUDHOE BAY UPLANDS

The Department of Natural Resources, Division of Minerals and Energy Management (DMEM), gives formal notice under AS 38.05.345(a)(4) of its intention to offer lands for competitive oil and gas lease. Sale 34 includes about 1,231,517 acres of land on the North Slope.

The sale will be conducted by the Department of Natural Resources under the authority of Alaska Statute 38.05.180. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the oil and gas that may be discovered within the leased area. In order to bid at the sale bidders must prequalify prior to the sale date. Potential bidders should consult DMEM for prequalification procedures. Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

Sale 34 is scheduled to be held on September 28, 1982 at the Captain Cook Hotel, 5th Avenue and "K" Street in Anchorage. Bids will be received and processed on September 28 in the following manner:

1. 8:00 a.m. - 9:00 a.m. - bids will be received in the "Discovery Room."
2. 9:00 a.m. - closing of bid acceptance.
3. 9:00 a.m. - 10:30 a.m. - bids will be opened.
4. 10:30 a.m. - a public reading of the bids will begin in the "Discovery Room."

Bids also will be accepted from 9:00 a.m. to 4:00 p.m. on September 27 in Room 31 (3rd floor), 555 Cordova Street, Anchorage, Alaska. Bids that are sent by mail must be sent to: Director, DMEM, Pouch 7-005, Anchorage, Alaska 99510, and must be received by September 27, 1982.

Any lease issued as a result of this sale will be executed on Form No. DMEM-3-82 (NET PROFIT SHARE) which was revised July 23, 1982.

The bidding method will be cash bonus bidding. Tracts 001-014 will have a fixed royalty of 16 2/3% and a fixed net profit share of 40%. Tracts 015-261 will have a fixed royalty of 12 1/2% and a fixed net profit share of 30%.



# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

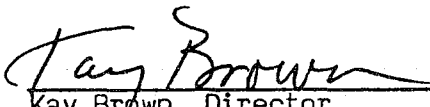
555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

August 18, 1982

### STATE OF ALASKA 3rd SUPPLEMENTAL NOTICE OIL & GAS LEASE SALE 37

#### REGARDING: EXPLORATION INCENTIVE CREDITS

Bidders are advised that exploration incentive credits approved for the drilling of exploratory wells in Oil and Gas Lease Sale 37 will be applicable to "oil and gas royalty payable in-value and rental payments payable to the state or taxes payable under AS 43.55" due the state from development in any area of the state and are not limited to payments due the state as a result of development within the Sale 37 area only.

  
\_\_\_\_\_  
Kay Brown, Director  
Division of Minerals and Energy Management

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

Lessees will be eligible for exploration incentive credits for exploration wells as provided in 11 AAC 83.800, 11 AAC 83.805, 11 AAC 83.815, and 11 AAC 83.820 as those regulations exist on the effective date of the lease. On tracts 001-014, credits will be earned at a rate of \$500 per foot drilled, for the first exploratory well per tract, provided that credits cannot exceed 40% of the total exploratory well cost. On tracts 015-261, credits will be earned at a rate of \$375 per foot drilled, for the first exploratory well per tract, provided that credits cannot exceed 30% of the total exploratory well cost. The credits must be earned and used within 10 years of the effective date of the lease. Exploration incentive credits approved for the drilling of exploratory wells on tracts leased in Sale 34 will be applicable to "oil and gas royalty payable in-value and rental payments payable to the state or taxes payable under AS 43.55" due the state from development in any area of the state and are not limited to payments due the state as a result of development within the Sale 34 area only.

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.

Any bidder who obtains a lease from the State of Alaska as a result of this sale will be responsible for the construction of access roads and capital improvements as may be required by the appropriate platting authority. All operations on leased lands will be subject to prior approval by the state as required by the lease and leasing regulations. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the departmental status plats or as necessary to protect identified surface resource values.

The Department of Natural Resources has determined that all water bodies within the sale area are public or navigable. Easements, if necessary to ensure public access, will be reserved during the review of individual lease plans of operations. Prior to the commencement of lease operations, an oil and gas lease bond for a minimum amount of \$10,000 per operation is required. In the alternative, a statewide oil and gas lease bond 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 \$100,000 for a single well or a \$200,000 bond to cover wells statewide before drilling operations will be permitted by AOGCC.

The state is currently awaiting title to tracts 229, 230, and 231. If title is received prior to September 28, 1982, the state will offer these tracts in Sale 34. However, this acreage may be withdrawn before the sale should title be rejected or challenged. The state will publish a supplemental notice in Alaska newspapers if time permits advising bidders of any tract withdrawals. The state reserves the right to delete or contract proposed tracts at any time up to and including the day of the sale. Tract maps are available at DMEM.

The proposed sale area is within the North Slope Borough. Communities in the vicinity of the proposed sale include Kaktovik and Nuiqsut.

The sale area is bounded on the west by the Trans-Alaska Pipeline and on the east by the Arctic National Wildlife Refuge (ANWR). The west boundary of the Arctic National Wildlife Refuge is described as the mean high water mark of the extreme west bank of the Canning River. The boundary of ANWR has not been established for certain portions of the refuge; parcels affected are tracts 34-28, 34-29, 34-38, 34-39, 34-108, 34-109, 34-122, 34-123, 34-139, 34-154, 34-155, and 34-156. The boundary location used for these tracts is based on the U.S. Geological Survey 1:63,360 scale topographic maps (1955) and verified by 1981 aerial photography.

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal best serves the interests of the state. To meet this requirement, the Director has developed environmental and social terms and conditions for tracts leased in Sale 34. Lease stipulations will be enforced throughout the term of the lease. Measures also will be imposed through approval of plans of operations and other permits as needed to mitigate social and environmental effects of lease related activities.

The stipulations and terms describe standards that must be met by the operators with regard to water quality and appropriation, gravel extraction, oil spill prevention and cleanup, construction of roads, pipelines and other lease related structures and facilities, public access, disposal of waste, drilling muds and cuttings and produced waters, timing and routing of exploration and development activities, rehabilitation of abandoned sites, and additional permits and approvals. These stipulations and terms are necessary to protect the unique biological, archeological, and social aspects of the sale area.

In support of the lease sale, the Director of the Division of Minerals and Energy Management has prepared a final written finding under AS 38.05.035(a)(14) which sets forth the facts and applicable law upon which she has determined that the proposed action will best serve the interests of the state. The Director's written finding and decision will be available on September 3, 1982 at the Division of Minerals and Energy Management, 555 Cordova Street in Anchorage or by writing DMEM at Pouch 7-005, Anchorage, Alaska 99510. Additional information on the proposed sale is available to prospective bidders and members of the public at DMEM.



Kay Brown  
Director  
Division of Minerals and Energy Management

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT

JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

Phone: (907)276-2653

August 25, 1982

### Sale 34 Information to Bidders

#### 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 Natural Resources.
4. No bid containing or accompanied by any condition, qualification, or material alteration will be considered.

#### B. Pre-Qualification of Bidders

In order to submit bids for this sale, bidders must be qualified to bid prior to the sale date of September 28, 1982. Qualification procedures are as follows:

1. Individuals - An individual bidder must have a Statement of Qualifications on file at DMEM certifying that he or she is at least 18 years old and a citizen of the United States or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen. The statement must include the bidder's name, address, and telephone number and must be signed and dated. If an agent is signing the bid form on behalf of an individual, a notarized power-of-attorney document evidencing the authority of the agent to act on behalf of the individual must be on

file at DMEM. If a guardian, trustee, or legal representative of an individual is signing on behalf of that individual, a certified copy of the court order authorizing him to act in that capacity and to fulfill the individual's obligations arising under any lease issued to the individual must be on file at DMEM. A signed statement as to the citizenship and age of the guardian, trustee, or legal representative and the individual must also be submitted to DMEM.

2. Corporations - Corporations must have the following documents on file at DMEM prior to the lease sale:

- a. Copy of 1982 Certificate of Compliance.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

A Certificate of Compliance can be obtained by sending 60 cents to State of Alaska, Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811 and requesting the certificate. The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws, and is thus qualified to do business in the state. If information previously filed by corporations that have previously qualified to do business in Alaska is still current, this information may be incorporated together with a statement as to any material changes or amendments. However, a 1982 Certificate of Compliance is required for this sale.

3. Corporations That Have Not Previously Qualified To Do Business in Alaska - A corporation that has not previously qualified to do business in Alaska must submit the following documents to DMEM:

- a. If the corporation is a foreign corporation, it must submit a copy of its Certificate of Authority. If the corporation is a domestic corporation, it must submit a copy of its Certificate of Incorporation. A foreign corporation is one that has been incorporated outside the State of Alaska. A domestic corporation is one that has been incorporated within the State of Alaska.
- b. The current address and phone number of the corporation.
- c. A list of current officers of the corporation that are authorized to sign a bid on behalf of the corporation.
- d. A notarized power-of-attorney authorizing any agent who is not a current officer but who has been designated by the corporation to sign a bid on behalf of the corporation.

In order to receive a Certificate of Authority, foreign corporations must submit a packet of completed forms entitled "instructions for qualifying a foreign corporation to do business in the State of Alaska" to the Department of Commerce and Economic Development, Corporation Section, Pouch D, Juneau, Alaska 99811. In order to receive a Certificate of Incorporation, domestic Corporations must submit Articles of Incorporation to the Department of Commerce and Economic Development. These forms can be obtained by writing or telephoning DMEM, Pouch 7-005, Anchorage, Alaska, 99510 (276-2653). Upon proper application, the Department of Commerce and Economic Development will issue a Certificate of Authority or Certificate of Incorporation. Please allow two to three weeks for the processing of these Certificates.

4. Partnerships or Other Unincorporated Associations - A partnership or unincorporated association must submit the following documents to DMEM prior to the lease sale:
  - a. A statement describing the business relationships between members or partners.
  - b. A statement of qualifications for each member stating that each member is at least 18 years of age and a citizen of the United States, or is eligible for and has filed for citizenship, or is an alien person entitled to a similar lease by virtue of a treaty between the United States and the nation of which the alien person is a citizen.
  - c. If an agent is signing the bid form on behalf of the partnership or association, a notarized power-of-attorney defining the agent's authority to sign the bid on behalf of the partnership or association.

C. Bid Submission

All bids will be accepted by the Director of the Division of Minerals and Energy Management or her authorized agent in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska, between the hours of 9:00 a.m. and 4:00 p.m. on September 27, 1982. Bids that are mailed to the Director, DMEM Pouch 7-005, Anchorage, Alaska 99510 must be received no later than September 27, 1982. Bids will also be accepted at the Division's temporary office at the Captain Cook Hotel, 5th Avenue and "K" Street in Anchorage between 8:00 a.m. and 9:00 a.m. on September 28, 1982. No bids tendered after 9:00 a.m. on the day of the sale, September 28, will be accepted.

Bids will be received and processed on September 28, 1982 in the following manner:

1. 8:00 a.m. - 9:00 a.m. - bids will be received in the "Discovery Room."
2. 9:00 a.m. - closing of bid acceptance.

3. 9:00 a.m. - 10:30 a.m. - opening of the bids by DMEM personnel. The opening of bids is for the sole purpose of publicly announcing and recording bids received. No bids will be accepted or rejected at this time.
4. 10:30 a.m. - public reading of the bids will begin in the "Discovery Room."

D. Form for Submission of Bids

1. A separate bid must be submitted for each tract.
2. Each bid must be submitted separately in a single envelope. The envelope should be marked "State of Alaska Competitive Oil and Gas Lease Sale 34; not to be opened until 9 a.m., September 28, 1982; Tract # \_\_\_\_\_". No other statements, information, or identification should appear on the outside of the envelope.

The following items must be contained in each envelope:

- a. An executed bid form DMEM-10(9/82) or an exact copy of that form. All bidders should state their name, company (if applicable), address, and telephone number on the bid form.
  - b. Bid Deposit: Check or money order made payable to the "Department of Revenue, State of Alaska." Bid deposits must be in U.S. dollars and must be tendered in cash or by money order, cashier's check or certified check in the total amount of 20% of the total cash bonus being offered for the tract. No bid for less than a full tract will be considered.
3. Pursuant to 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person who 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 who 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 persons. 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.

E. Method of Handling Bid Deposits

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Acceptance 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 2:30 to 4:00 p.m., September 28, 1982, in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska. Bid deposits also will be returned from 1 to 3 p.m. on September 29, 1982 in Room 31, Third Floor, 555 Cordova Street, Anchorage, Alaska.
3. A bidder whose bid deposit for an apparent high bid is tendered by cashier's check or certified check drawn on a bank other than the Alaska National Bank of the North must wire transfer funds in the amount of such bid deposit on September 29, 1982, no later than noon E.S.T. (7 a.m. A.S.T.), to the credit of the State of Alaska Investment Account, Bank of America, N.T. & S.A., San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. It is not necessary that separate wire transfers be made if more than one bid deposit is being transferred to the account. Each apparent high bidder making a wire transfer to this account must Telex the following information to Bank of America (Telex No. 9-34-0534) with a copy to the Alaska Department of Revenue, Treasury Division (Telex No. 099-45-333): the amount of each bid deposit comprising the wire transfer, the tract number to which each bid deposit applies, the originating bank of the wire transfer, and the name(s) of the bidder's partner(s), if any, on whose behalf a bid deposit is being wire transferred. Upon notification of receipt of a wire transfer, the cashier's check(s) and certified check(s) for the bid deposit(s) corresponding to that wire transfer will be returned from 1 p.m. to 3 p.m., September 29, 1982, in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska and from 8:30 a.m. to 3 p.m., September 30, 1982 in Room 31 (3rd Floor), 555 Cordova Street, Anchorage, Alaska.
4. If a bid deposit for an apparent high bid is tendered in cash, by money order, or is a certified or cashier's check drawn on the Alaska National Bank of the North, the bidder will not be required to wire transfer federal funds for that bid deposit. Such checks will be presented September 28, 1982, for payment in federal funds at the Alaska National Bank of the North.
5. Upon rejection by the State of Alaska of any apparent high bid, the amount of the bid deposit for that bid will be returned by wire transfer to a bank designated by the bidder. A bidder who is unable to pick up a bid deposit in the manner described in E(2) and E(3) above may submit with the bid written instructions for return of the bid deposit.
6. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified by certified mail of the lease award and will be sent two copies of the lease for signature. Within 30 days of the date that the bidder receives notification of the lease award, the bidder must: 1) sign both copies of the lease; 2) return them to the Division of Minerals and Energy Management for execution; 3) pay the balance of the cash bonus and accrued interest; and 4) pay annual rental for the first year. Interest of 8.616% per annum (which is the market interest rate for 90-day U.S. Treasury bills prevailing during the week of August 16-20, 1982) will be charged on the balance of the cash bonus accruing from the date of the successful bidder's receipt of the notification of the lease award to the date of



payment. The successful bidder owes interest from the day the bid acceptance letter is received until the day before the money is paid. Interest should 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 shall 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 State of Alaska Investment Account, Bank of America, N.T. & S.A., San Francisco, California, to the attention of Elizabeth Stephens, Securities Clearance Department, #3298. The wire transfer should specify on whose behalf and on what tracts the balance, interest, and rental is being paid. 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.

In addition, the successful bidder must simultaneously send the following information by telex to the Alaska Department of Revenue, Treasury Division (Telex No. 099-45-333): the amount of rental, interest, and balance of cash bonus being paid per tract; the name(s) of the bidder(s) on whose behalf the funds are being wire transferred; and the originating bank of the wire transfer.

## MITIGATING MEASURES

AS 38.05.035(a)(14) and the departmental delegation of authority give the Director, Division of Minerals and Energy Management (DMEM), the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal is in the state's best interest. Lease stipulations will be enforced throughout the term of the lease. Measures listed under "Plans of Operations and Other Terms of Sale" will be imposed through Plans of Operations and other permits to mitigate the social and environmental effects of lease activities. These measures have been developed considering the Social, Economic, and Environmental Analysis for Lease Sale 34, public comment, and the measures imposed in prior north slope lease sales.

### Lease Stipulations

#### 1. Spill Prevention Control and Countermeasure (SPCC) Plan:

A Spill Prevention, Control and Countermeasure Plan must be submitted to the Department of Environmental Conservation for approval prior to onshore drilling operations and construction of onshore oil and gas storage facilities (with a capacity of greater than 660 gallons), transfer, and transportation facilities. In addition to addressing the prevention, detection and cleanup of oil, the SPCC plan for drilling operations should include, but not be limited to, methods for controlling blowouts, location of spill clean-up equipment, identification and location of a suitable alternative drilling rig, and the time required to obtain equipment, mobilize, rig-up, and commence drilling of a relief well, if needed.

#### 2. Discovery of historic or archeologic objects:

In the event any site, or structure, or object of historic or archeologic significance is discovered during the conduct of any operations on the leased area, the lessee must report immediately such findings to the Director, DMEM, and make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director, after consultation with the State Historic Preservation Officer, has given directions as to its preservation.

### Plans of Operations and Other Terms of Sale

Lessees must submit a detailed plan of operations to the Division of Minerals and Energy Management for approval prior to conducting any exploratory or development operations. The lessee shall concurrently submit an informational copy of its plan of operations to the North Slope Borough. The following restrictions will be imposed as a condition of the approval of plans of operations:

1. Road and pipeline crossings must be aligned perpendicular or near perpendicular to watercourses. Permanent facilities will be prohibited within 500 feet (152 m) of the Sagavanirktok, Kadleroshilik, Shaviovik, Kavik, Staines, and Canning rivers. Facilities will be prohibited within 100 feet (30 m) of all other streams and fish-bearing lakes unless the Director, Division of Minerals and Energy Management, after consultation with the

Department of Fish and Game, determines that such facilities placement will not disturb critical wildlife habitats or that such a requirement is not feasible or prudent. The Department of Fish and Game will identify potential fish-bearing lakes within 30 days of the date a request for approval of a plans of operations is received. The Department of Fish and Game will confirm the presence or absence of fish at the earliest opportunity when ice conditions permit. If fish are not present in lakes, the 100 foot setback provision can be waived.

2. Measures will be required to minimize the impact of industrial development on key wetlands, waterfowl and shorebirds. Key wetlands include deep pendent grass ponds and lakes (Class IV) and basin - complex wetlands (Class VI). Measures will include restricting certain facility siting to the least environmentally sensitive portions of these wetlands. Specific measures include the requirements that:
  - a. Lessees identify on a map or aerial photograph the largest surface area within which it is anticipated that a facility is to be sited, or an activity is to occur. The map or photograph must accompany the plan of operations submitted to DMEM. DMEM and the Department of Fish and Game will identify the least environmentally sensitive area(s) within the industry-identified area of interest. The industry-identified surface area must be large enough to contain the proposed facility and to accomodate planned expansion.
  - b. Drill pads, roads, pipelines and other facilities must be sited outside of productive Class IV and VI wetlands, unless the Director, DMEM, after consultation with the Department of Fish and Game, determines that there are no feasible alternatives.
  - c. Where facilites must be sited within Class IV and VI wetlands, such facilities will be sited, designed and constructed in a manner that will maintain natural hydrological patterns and prevent oil contamination.
  - d. Draining or dewatering Class IV and VI wetlands is prohibited.
3. Impermeable lining and diking will be required for sewage ponds and onshore oil storage facilities (with a storage capacity greater than 660 gallons). Buffer zones of up to 1,500 feet will be required to separate oil storage facilities (with a capacity greater than 660 gallons) and sewage ponds from freshwater supplies, streams, lakes, and Class IV and VI wetlands unless the Director, DMEM, after consultation with the Department of Environmental Conservation, determines that such a requirement is not feasible or prudent. Sumps and reserve pits must be impermeable and otherwise fully contained through diking or other means.
4. All lease activities and structures must be designed to maintain normal water flow or drainage patterns and to allow free movement and safe passage to fish and mammals, unless the Director, DMEM, after consultation with the Department of Fish and Game, determines that such a design is not feasible or prudent.

5. Exploration activities must be supported only by winter roads and trails, existing road systems, and air service. On-tundra travel may be permitted if the Director, Division of Land and Water Management and the Director, DMEM, determine that travel can be accomplished without disturbing the vegetative mat or an emergency condition exists.
6. Facilities and surface transportation routes must be consolidated to the extent feasible and prudent.
7. No restriction of public access to, or use of, the leased area will be permitted as a consequence of oil and gas activities except in the immediate vicinity of drill sites, buildings and other related structures. Such areas where access is to be restricted must be identified in the plan of operations. No lease facilities or operations may be located where they would block public access to or along navigable and public waters as defined in AS 38.05.365(22) and (23). If lease facilities are proposed to be located in the vicinity of these public waters, an easement will be reserved under AS 38.05.127 and 11 AAC 53.330 to ensure the right of public access.
8. The lessee must include in any exploration and/or development plans a proposed environmental training program for all personnel involved in exploration or development activities (including personnel of the lessee's contractors and subcontractors) for review and approval by the Director, DMEM. The program must be designed to inform each person working on the project of specific types of environmental, social, and cultural concerns which relate to the individual's job. The program must be formulated and implemented by qualified instructors experienced in each pertinent field of study and must employ effective methods to ensure that personnel understand and use techniques necessary to preserve archeological, geological, and biological resources. The program must also be designed to increase the sensitivity and understanding of personnel to community values, customs, and lifestyles in areas in which such personnel will be operating.

The lessee must also submit for review and approval a continuing technical environmental briefing program for supervisory and managerial personnel of the lessee and its agents, contractors, and subcontractors.

9. The lessee is encouraged to hire Alaska residents to perform work done by and for it within the State of Alaska in connection with this lease to the extent that residents are available, willing and qualified. The lessee must submit to the Director, DMEM, a program detailing the affirmative steps it will take to recruit and hire Alaska residents and the statistical indicators it will use to document the program's success. The lessee will submit these statistics annually to the Director, DMEM.
10. Solid waste disposal into rivers, streams, natural lakes and Class IV and VI wetlands is prohibited. Before the lessees dispose of solid waste in other areas, the disposal must be approved through permits by the Commissioner, Department of Environmental Conservation.

11. Discharge of produced water, drilling muds, and cuttings:
  - a. Disposal of produced water to freshwater bodies, including Class IV and VI wetlands, is prohibited. Disposal of produced waters in upland areas, including Class IV and VI wetlands, will be by subsurface disposal techniques, except that the Commissioner of the Department of Environmental Conservation may permit alternate disposal methods if he determines that subsurface disposal techniques are not feasible or prudent.
  - b. Discharge of drilling muds and cuttings to lakes, streams, rivers, and Class IV and VI wetlands is prohibited. Upland disposals of contaminated muds and cuttings may be made into approved sumps and reserve pits which are impermeable and otherwise fully contained through diking or other means.
12. Exploration facilities, with the exception of drill pads, will be temporary and must not be constructed of gravel. However, use of existing abandoned gravel structures may be permitted on an individual basis by the Director, DMEM, after consultation with the Director of the Division of Land and Water Management and the Department of Fish and Game. Approval for use of abandoned structures will depend on the extent and method of restoration needed to return these structures to a usable condition.
13. In meeting gravel needs for exploration, development, and production, gravel from nearby abandoned drill pads and existing material sites must be used first unless the Director, Division of Land and Water Management, after consultation with the Director, DMEM, and the Department of Fish and Game, determines that the reuse of such sources is not feasible and prudent.
14. Gravel mining sites required for exploration activities must not be located within the active floodplains (from vegetation line to vegetation line) of watercourses, unless the Director, Division of Land and Water Management, after consultation with the Department of Fish and Game, determines that a floodplain source will cause the least adverse environmental impact. Mining site development and rehabilitation within floodplains must follow the procedures outlined in Gravel Removal Guidelines For Arctic and Subarctic Floodplains, 1980, U.S. Fish and Wildlife Service-Woodward Clyde Consultants. Under AS 16, Department of Fish and Game approval is required if the mining site is located within an anadromous stream or could block fish passage.
15. Borrow extraction from barrier islands is prohibited. Borrow extraction from lagoons and nearshore areas is prohibited unless the Director, Division of Land and Water Management finds, in consultation with the Department of Fish and Game, that, on the basis of scientific evidence, borrow extraction in these areas will not adversely affect the environment or that no alternative feasible or prudent sources exist.
16. Gravel mining sites required for development activities will be restricted to the minimum number of upland or approved offshore sites

needed to develop the field efficiently and with minimal environmental damage. Where feasible, upland gravel sites will be designed and constructed to function as reservoirs for winter water supplies. Gravel mining will not be allowed from active floodplains (from vegetation line to vegetation line) during development and production activities, unless the Director, Division of Land and Water Management, after consultation with the Department of Fish and Game, determines that there is no other feasible and prudent alternative.

17. Pipelines will be located so as to facilitate the containment and clean up of spilled hydrocarbons. Where feasible, pipelines will be located on the upslope side of roadways and construction pads unless the Director, Division of Land and Water Management, determines that an alternative site is an acceptable environmental alternative.
18. All garbage and refuse will be incinerated. Residue and nonburnables will be disposed of at an approved upland site. No new solid fill disposal sites, except possibly for the disposal of drilling muds and cuttings, will be approved during the exploratory phase.
19. Except for those on approved exploratory drill sites, stationary fuel storage facilities shall not be placed, nor vehicle refueling occur, within the active floodplain (vegetation line to vegetation line) of a fish-bearing stream. Exceptions may be allowed during the permitting process under AS 16.06.870 for the refueling of slow-moving construction equipment (such as graders, tractor pulled scrapers and front end loaders) within floodplains.
20. Prior to the construction or placement of any onshore structure, road, or facility resulting from exploration, development, or production activities, the lessee must conduct an inventory of archeological and historical sites within the area affected by a proposed activity. Such inventory must consider literature provided by the North Slope Borough and local residents, documentation of oral history regarding historic and prehistoric uses of such sites, evidence of consultation with the Alaska Heritage Resources Survey and the National Register of Historic Places, and site surveys. The inventory must also include a detailed analysis of the potential effects estimated to result from the proposed activity. The inventory must be submitted to the Director, DMEM, for distribution to the Director of the Division of Parks and the Mayor of North Slope Borough for purposes of review and comment. In the event that an archeological or historical site or area may be adversely affected by an activity, the Director, DMEM, after consultation with the Director of the Division of Parks and the North Slope Borough, will direct the lessee as to what course of action will be necessary to mitigate the adverse effect.
21. Upon abandonment of drilling sites, roads, buildings, airstrips or other facilities, such facilities will be removed and the site rehabilitated, unless the Director, DMEM, after consultation with the departments of Fish and Game and Environmental Conservation, determines that such removal and rehabilitation is not in the state's interest.

22. The following measures will be imposed to protect anadromous streams:

- a. Alteration of river banks is prohibited.
- b. Except for approved stream crossings, equipment must not be operated within willow stands (Salix spp.).
- c. The operation of equipment in open water areas that appear in winter (from freezeup until spring breakup) will be prohibited.
- d. Bridges must be used as watercourse crossings whenever feasible. Culverts may be used only when bridges are shown not to be feasible or prudent. The siting, design, and construction of both bridges and culverts must be approved by the Department of Fish and Game prior to the placement of either of these structures.
- e. Removal of freshwater or snow cover from fish bearing rivers, streams, and natural lakes will be prohibited from freeze up until spring breakup.
- f. Water intake pipes utilized for summer water removal from the river must be surrounded by a screened enclosure to prevent fish entrainment and impingement. Pipes and screening must be designed and constructed so that the maximum water velocity at the surface of the screen enclosure is no greater than 0.1 foot per second. Screen mesh size shall not exceed 0.04 inch unless another size has been approved by the Department of Fish and Game.
- g. To protect fish and other aquatic fauna, high explosives must not be detonated within, beneath, or in close proximity to fish-bearing waters unless prior drilling indicates that the waterbody, including its substrate, is solidly frozen. The minimum acceptable offset from fish-bearing waters for various size charges is:

1 pound charge	--	50 feet
2 pound charge	--	75 feet
5 pound charge	--	125 feet
10 pound charge	--	150 feet
25 pound charge	--	250 feet
100 pound charge	--	500 feet
500 pound charge	--	1200 feet
1,000 pound charge	--	1600 feet

Lessees are advised that documented anadromous rivers in and adjacent to the lease sale area include: the Sagavanirktok, Shaviovik, Kavik, and Canning rivers.

23. The lessee will be responsible for ensuring that an adequate supply of water is available for winter use through development of such means as storage reservoirs and snow melting. Water appropriations shall be authorized pursuant to AS 46.15.

24. The following measures will be required to minimize impacts on the Central Arctic Caribou Herd.
- a. Exploratory drilling operations may be restricted or prohibited on Tracts 1-14, and on other tracts as necessary, between May 15 and June 25 to protect caribou calving areas. Drilling, maintenance and operation of production wells will be allowed year-round throughout the sale area. On tracts 1-14, and on other tracts as necessary, the movement of equipment and personnel may be restricted between May 15 and June 25 to minimize conflicts with caribou calving in these areas. All authorized movement of equipment and personnel must be on established roads and must be consolidated and scheduled to reduce disturbance to caribou. The necessity and conditions for limiting equipment and personnel movement will be identified on a case-by-case basis during review of plans of operations by the Director, Division of Minerals and Energy Management, in consultation with Alaska Department of Fish and Game. In order to assist the Director, Division of Minerals and Energy Management, in determining the validity of these seasonal restrictions, the lessee may be required to conduct caribou monitoring studies in consultation with the Department of Fish and Game.
  - b. Pipelines must be constructed to allow safe passage of caribou and moose. Adequate elevation, ramping, or burial of pipelines will be required in areas identified by the Department of Fish and Game as important caribou movement zones.
25. Routes of travel must avoid preferred polar bear denning habitat unless human safety dictates otherwise. Polar bears are known to den predominately within 25 miles of the coastline in deeply drifted areas (6 ft. or greater) adjacent to the cutbanks of drainages. The use of explosives will be prohibited within 1/4 mile of such cutbanks identified by the Department of Fish and Game. Tracts within 25 miles of the coast affected by this term are Tracts 1-67 in their entirety and parts of Tracts 28, 30, 31, 34, 35, 68, 69, 70, 71, 74, and 75. The Department of Fish and Game will make maps identifying documented high density polar bear denning habitat available to the Director and lessees within 60 days of the date a request for approval of a plans of operations is recieved.
26. Peregrine Falcons nest on river bluffs within the lease sale area in Tracts 131 and 162. Although Peregrine Falcon nests have not been identified in other parts of the sale area, other tracts contain river bluff habitat where nests may yet be discovered. Lessees are advised that disturbing a Peregrine Falcon nest violates federal law. If the lessee discovers previously unreported active Peregrine Falcon nest sites, the lessee must immediately report the nest locations to the Director. To comply with state and federal endangered species acts, the following restrictions will apply in the vicinity of active Peregrine Falcon nest sites, except as approved by the Department of Fish and Game, after consultation with the U.S. Fish and Wildlife Service. All known nest sites will be considered active between April 15 and June 1. Nest sites not having a



Peregrine Falcon present by June 1 will be considered inactive, and oil and gas activities near inactive nests will not be subject to these restrictions. Activities at existing development sites within two miles of newly established nests will not be subject to these restrictions.

- a. Within one mile (1.6 km).--Between April 15 and August 31, surface entry will be prohibited and aircraft overflights must avoid nest sites by an altitude of 1500 feet (457 m) above nest level. Facilities, including but not limited to roads, pipelines, disposal sites, gravel mines, storage facilities, and camps will be prohibited. This term applies to parts of Tracts 130, 131, 159, and 162. If new nests are found, this term could apply to other tracts.
  - b. Within two miles (3.2 km).--Noisy activities, including blasting and gravel washing, will be prohibited between April 15 and August 31. Airfields, construction camps, disposal sites, compressor stations, and other permanent facilities that occupy large areas, are noisy, or require sustained human occupancy will be prohibited. This term will currently affect parts of Tracts 129, 130, 131, 132, 159, 163, and 166, and all of Tract 162. If new nests are found, this term could apply to other tracts.
  - c. Within 15 miles (24 km).--Except for limited non-aerial applications of approved non-persistent insecticides, pesticide use will be prohibited. This term will currently affect all of Tracts 38-43, 46-47, 82, 108-171, 174-176, 191-194, 199, 211, 214, and 230, and parts of 172, 173, 180, 195, 198, 199, 212, 213, 229, 44, 45, 81 and 83. If new nests are found, this term could apply to other tracts.
27. The following provisions will govern aircraft operations in and near the sale area.
- a. From May 15 through September 30, aircraft must fly at altitudes of greater than 1,500 feet (457 m) or at a lateral distance of one mile around barrier island and lagoon areas, river deltas, and wetlands within one mile of the Beaufort Sea coastline (excluding take-offs and landings).
  - b. From May 15 through June 20, aircraft overflights within 30 miles (24 km) of the coast between the Sagavanirktok and Canning Rivers must avoid caribou by an altitude of at least 1,500 feet (457 m) or a lateral distance of one mile (1.6 km) (excluding take-offs and landings).
  - c. Human safety will take precedence over aircraft restrictions.
28. Surface use will be restricted, as necessary, to prevent unreasonable conflicts with local subsistence harvests.
29. Bidders are advised that the North Slope Borough (NSB) Assembly has adopted an interim zoning ordinance under Title 29 of the Alaska

Statutes. The interim zoning ordinance requires NSB approval for certain activities necessary for exploration and development of the lease. The state may not in all instances accept this assertion of jurisdiction.

30. During the conduct of all activities related to this lease, the lessee will be subject to the provisions of all valid coastal zone plans and ordinances. DMEM will require, as a condition for approval of lease operations, such modification or stipulations as may be necessary to ensure consistency with the Coastal Management Act, and with sound planning and management of coastal zone resources.
31. Plans of operations for lease activities and specific permit applications which are subject to approval by the U.S. Corps of Engineers or which require a Certificate of Reasonable Assurance from the Department of Environmental Conservation must be submitted simultaneously for state agency review and approval, at least 60 days prior to the proposed conduct of such activities.
32. If only the subsurface estate is owned by the state, or if the surface is owned by the state but subject to third party interests, including any native allotments, the lessee must not enter upon such land until the lessee makes a good faith effort to agree with the surface interest holder on settlement of damages that may be caused by lease activities. If an agreement cannot be reached, Director, DMEM, has the authority to approve the activity, provided adequate provisions have been made with the state to pay for any damages the surface interest holder may suffer.
33. Active channels of the Sagavanirktok River are closed to gravel extraction from the mouth to the Township 8N-9N line.
34. The proposed activities under a plan of operations must not unreasonably diminish the use and enjoyment of lands encompassed within a native allotment. Before entering a pending or approved native allotment, lessees must contact the Bureau of Indian Affairs and the Bureau of Land Management and obtain approval to enter, if required. Lessees must also comply with applicable federal law on native allotments.
35. The Trans-Alaska Pipeline is located on state right-of-way lease #63574 which includes portions of Tracts 258 and 261. Lessees must contact the Division of Land and Water Management, Right-of-way Surveillance Section, Project Administration office, before entering upon or crossing the pipeline right-of-way. Drilling is prohibited within 300 feet of the right-of-way centerline.
36. Lessees will be eligible for exploration incentive credits for exploration wells as provided in 11 AAC 83.800, 11 AAC 83.805, 11 AAC 83.815, and 11 AAC 83.820 as those regulations exist on the effective date of the lease. On tracts 001-014 credits will be earned at a rate of \$500 per foot drilled for the first exploratory well per tract, provided that credits cannot exceed 40% of the total exploratory well cost. On tracts 015-261, credits will be earned

at a rate of \$375 per foot drilled for the first exploratory well per tract, provided that credits cannot exceed 30% of the total exploratory well cost. The credits must be earned and used within 10 years of the effective date of the lease. Credits approved for the drilling of exploratory wells on tracts in leased Oil and Gas Lease Sale 34 will be applicable to "oil and gas royalty payable in-value and rental payments payable to the state or taxes payable under AS 43.55" due the state from development in any area of the state and are not limited to payments due the state as a result of development within the Sale 34 area only.

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

MINERALS AND ENERGY MANAGEMENT


JAY S. HAMMOND, GOVERNOR

555 CORDOVA STREET  
POUCH 7-005  
ANCHORAGE, ALASKA 99510  
(907) 276-2653

September 1, 1982

STATE OF ALASKA  
SUPPLEMENTAL NOTICE  
OIL AND GAS LEASE SALE 34  
(PRUDHOE BAY UPLANDS)

Pursuant to 11 AAC 82.410, the Commissioner of the Department of Natural Resources has established a minimum bid of One Dollar (\$1.00) per acre for Oil and Gas Lease Sale 34. Prescribing a minimum bid does not prevent the rejection of bids as provided in 11 AAC 82.450.



Kay Brown, Director  
Division of Minerals and Energy Management



Revised: July 1982

ALASKA DEPARTMENT OF NATURAL RESOURCES

Reference: Seismic Stipulations - Open Water Operations

Under 11 AAC 96.040, the following stipulations are attached to and made a part of the terms and conditions of the miscellaneous land use permit:

- 1) The Permittee shall notify and obtain approval from the Division of Minerals and Energy Management at least 15 days in advance of any activities which significantly deviate from the approved plan. Any action taken by the permittee or his agent which increases the overall scope of the project or which negates, alters, or minimizes the implied intent of any stipulation contained in this permit will be considered a significant deviation from the approved plan. Notification must include the date and the specific nature of the proposed operation, the reasons why the operation is different, and a map showing the location of the operation. Significant deviations from the approved plan are permitted without prior notice to protect human safety or living resources; however, any such 'emergency deviation' must be reported to the Director, Division of Minerals and Energy Management within 48 hours.
- 2) The permittee shall provide the Department of Natural Resources with the name of a contact person who shall be familiar with the daily location and operating status of the seismic crew(s). The contact person shall provide this information to the Department of Natural Resources when requested by an authorized representative of the Department.
- 3) This permit authorizes the use of non-explosive energy sources only. The use of solid or liquid explosives is prohibited.
- 4) All operations must be conducted in a manner that will assure minimum conflict with other users of the area.
- 5) In areas of commercial fishing, seismic work must be scheduled during periods and times when interference with fishing operations will be avoided or minimized. Further information may be obtained by contacting the Area Biologist, Division of Commercial Fisheries, Alaska Department of Fish and Game. The permittee shall make a good-faith attempt to contact the local fisherman's organization if any, processors, and fishery agents before conducting the seismic operation.
- 6) Alaska law specifically prohibits the intentional or reckless damaging of commercial fishing gear. AS 16.10.55 states:  
A person who willfully or with reckless disregard of the consequences of his activity, interferes with or damages the commercial fishing gear of another person, upon conviction, is guilty of a misdemeanor. For the purposes of this section

"interference" means the physical disturbance of gear which results in economic loss or loss of fishing time, and "reckless disregard of the consequences" means a lack of consideration for the consequences of one's acts in a manner that is reasonably likely to damage the property of another.

This authorization in no way excludes the permittee from the provisions of AS 16.10.55.

- 7) During the fishing season, operation will be limited to daylight hours in areas where commercial fishing operations are known to use a concentration of fixed and unattended gear. When operating in these areas, an observer knowledgeable about local gear locations will be on board the vessel.
- 8) The seismic vessel must be outfitted with suitable transmitting and receiving equipment for ship-to-ship and ship-to-shore communication. The Division of Minerals and Energy Management shall be advised of the operator's radio call letters, frequencies, type of equipment, and vessel identification.
- 9) All buoys and other markers used in connection with seismic work must be properly flagged and lighted in accordance with the navigational rules of the U.S. Corp. of Engineers and the U.S. Coast Guard.
- 10) Fuel spills must be reported and cleaned up per 18 AAC 75.080. The telephone number to report spills is Zenith 9300.
- 11) Sorbent material in sufficient quantity to handle operational spills must be on hand at all times for use in the event of oil or fuel is spilled.
- 12) All solid wastes and wastewater must be retained on board and disposed of at an appropriate shore based facility or treated on-board the vessel through an approved U.S. Coast Guard sanitation system for disposal over-board.
- 13) Drinking water must meet Alaska drinking water standards. Minimum treatment will consist of filtration to remove 10 micron sized particles and disinfection.
- 14) The provisions of the Federal and State Endangered Species Acts and the Federal Marine Mammal Protection Act must be adhered to at all times. The Endangered Species Acts provide that there will be no activity permitted that jeopardizes the continued existence of an endangered species or results in the destruction or adverse modification of habitat of such species. Endangered species known to occur in Alaska include peregrine falcon, Aleutian Canada goose, short-tailed albatross, Eskimo curlew, and humpback, fin, grey, blue and bowhead whales. The applicant is advised to contact the Anchorage U.S. Fish and Wildlife Service, Endangered Species Office (276-3800) for additional information on endangered species. The Marine Mammal Protection Act provides that

there will be no intentional disturbance, harassment, catching, or killing of marine mammals. However, a 1981 amendment to the Marine Mammal Protection Act authorizes the Secretary, Department of Interior or the Secretary, Department of Commerce, under certain conditions, to allow U.S. citizens to take small numbers of marine mammals from non-depleted stock incidentally, but not intentionally, in specified areas. The Alaska Department of Natural Resources recommends that this authorization be obtained by the permittee before conducting any operations in or near coastal areas. The Department of Interior, U.S. Fish and Wildlife Service (USFWS) has jurisdiction over sea otter, polar bear and walrus. The Department of Commerce, National Marine Fisheries Service (NMFS) has jurisdiction over all other Alaskan marine mammals including seals, sea lions, whales and porpoise. For further information, the applicant is urged to contact the Anchorage offices of USFWS (276-3800) and NMFS (271-5006).

- 15) Open water seismic operations in the Beaufort Sea will be suspended September 1, in waters east of Prudhoe Bay and September 15, in waters west of Prudhoe Bay. These suspension dates are considered necessary in order to provide required protection to the bowhead whale during the fall migration. Suspensions may be imposed at an earlier date, if the bowhead whale reaches the project area before the September dates. Extensions of operations beyond the September dates will be considered on a case-by-case basis if the Director, Division of Minerals and Energy Management, in consultation with the National Marine Fisheries Service, determines that a suitable whale monitoring program is being conducted and that whales have not yet reached the area permitted for geophysical operations. If bad weather or operational delays cause the whale monitoring program to be suspended for an extended period of time, the seismic vessel will cease operations until the whale monitoring program has resumed.
- 16) All aircraft associated with the seismic program must maintain a minimum altitude of 1500 feet above ground level and one mile horizontal distance from all shoreline cliffs, bluffs, and rocky outcrops (excluding take offs and landings). Operations at lower altitudes may be allowed upon approval of the Department of Natural Resources after consultation with the Department of Fish and Game. Human safety will take precedence over aircraft restrictions.
- 17) The Department of Natural Resources may require that an authorized representative of the department be on-site during any operations conducted under this permit.
- 18) A copy of the permit and stipulations must be posted in a prominent location on the seismic vessel.
- 19) A completion report shall be submitted within fifteen (15) days following termination of permit activities. This report must contain the following information:
  - a) Dates when work was actually performed and the number of line miles actually surveyed.



- b) A U.S.G.S. topographic map or navigational chart upon which the exact location of all shot lines have been plotted.
  - c) A description of the work performed.
  - d) A description of the methods of disposal of liquid and solid wastes.
- 20) If the placement of navigational aids or other on-shore work is required within the boundaries of a designated State Game Refuge, State Critical Habitat Area or State Game Sanctuary, the permittee shall obtain prior approval from the Alaska Department of Fish and Game. For approval to conduct these operations, the permittee should contact the Anchorage Habitat Division office (344-0541). In addition, any work in National Wildlife Refuges, National Parks, National Monuments and National Wilderness Areas requires the authorization of the appropriate federal surface manager. The permittee is urged to contact the Anchorage offices of the U.S. Fish and Wildlife Service (276-3800), the National Park Service (271-4366) or the National Forest Service if (279-5541) proposed on-shore operations require a special permit from these agencies.
- 21) The Director, Division of Minerals and Energy Management has the right at any time to amend or modify any provisions of this permit.

1613Z

Revised: November 1982

ALASKA DEPARTMENT OF NATURAL RESOURCES

Reference: Seismic Stipulations - Winter Season Operations

Under 11 AAC 96.040 the following stipulations are attached to and made a part of the terms and conditions of the miscellaneous land use permit:

- 1) The Permittee shall notify and obtain approval from the Division of Minerals and Energy Management at least 15 days in advance of any activities which significantly deviate from the approved plan. Any action taken by the permittee or his agent which increases the overall scope of the project or which negates, alters, or minimizes the implied intent of any stipulation contained in this permit will be considered a significant deviation from the approved plan. Notification must include the date and the specific nature of the proposed operation, the reasons why the operation is different, and a map showing the location of the operation. Significant deviations from the approved plan are permitted without prior notice to protect human safety or living resources; however, any such 'emergency deviation' must be reported to the Director, Division of Minerals and Energy Management within 48 hours.
- 2) The permittee shall provide the Alaska Department of Natural Resources with the name of a contact person who shall be familiar with the daily location and operating status of the seismic crew(s). The contact person shall provide this information to the Department of Natural Resources when requested by an authorized representative of the Department.
- 3) No holes may be drilled in excess of 150 ft below the land surface unless specifically permitted. All drilled holes must be backfilled with sand, gravel, drilling mud, or cuttings.
- 4) Should any hydrocarbons (excluding coal) be encountered during the drilling of shot holes, all operations must be discontinued; and the Alaska Oil and Gas Conservation Commission notified, (907)279-1433.
- 5) If flowing or artesian water is encountered during the drilling of shot holes, the district office of the Division of Land and Water Management shall be contacted. The hole must be plugged to the satisfaction of the Director, Division of Land and Water Management.
- 6) The use of ground contact vehicles for off-road travel must be limited to those areas which have adequate ground frost and snow cover to prevent damage to the ground surface.
- 7) After 15 April, the use of ground contact vehicles in wetlands and other areas of weak soil conditions (eg., North Slope tundra) will be subject to termination within seventy-two (72) hours of written notification from the Director of the Division of Minerals and Energy Management.

- 8) Support vehicles must be operated in a manner such that the vegetative mat of the tundra is not disturbed. Blading or removal of tundra is strictly prohibited, except as approved by the Director of the Division of Land and Water Management or his designee. Filling of low spots and smoothing by the use of snow and ice is allowed.
- 9) In forested areas, clearing of vegetation will be minimized. Existing roads, trails, and natural clearings must be used wherever possible.
- 10) On the North Slope, movement of equipment through willow (Salix) stands must be avoided wherever possible.
- 11) Equipment, other than vessels, must not enter open water areas of a watercourse during winter. Ice or snow bridges constructed at stream crossings must not contain extraneous material (i.e., soil, rock, wood, or vegetation) and must be removed or breeched before spring breakup. Alterations of the banks of a watercourse are prohibited.
- 12) Prior to crossing or working in any stream, river, or lake specified as being important for the migration, spawning, or rearing of anadromous fish, the applicant shall obtain an Alaska Department of Fish and Game Habitat Protection Permit pursuant to AS 16.05.870. Any structure (eg. culverts, dams) placed in any stream containing fish requires an ADF&G Habitat Protection Permit under A.S. 16.05.840. Operations conducted within lands designated as State Game Refuges, State Critical Habitat Areas, and State Game Sanctuaries also require permits from ADF&G. For information regarding these areas and their permitting requirements the applicant should contract the Habitat Division, Alaska Department of Fish and Game at 452-1531 (Fairbanks/North Slope and Interior) or 344-0541 (Anchorage/Southcentral).
- 13) Compaction or removal of the insulating snowcover from deep water pools of rivers known to harbor overwintering fish must be avoided. To prevent additional freeze down of these pools, watercourses must be crossed at shallow riffle areas from point bar to point bar wherever possible.
- 14) Stationary fuel storage facilities must not be placed within the annual floodplain of a watercourse or closer than 100 ft to a waterbody. All storage facilities must be placed within an impermeable barrier providing 110 percent capacity of the enclosed fuel storage containers.
- 15) All fuel drums must be marked with the contractor's name and dated.
- 16) Refueling of vehicles must not occur on an annual flood plain of a watercourse.
- 17) Fuel spills must be reported and cleaned up per 18 AAC 75.080. The telephone number to report spills is Zenith 9300.
- 18) Sorbent material in sufficient quantity to handle operational spills must be on hand at all times for use in the event of oil or fuel spill.

19) Unless specifically permitted, the use of explosives is prohibited. If authorization has been obtained, the following minimum conditions will apply:

- a) To protect fish and other aquatic fauna, explosives must not be detonated within, beneath, or in close proximity to fish-bearing waters unless the waterbody, including its substrate, is solidly frozen. The minimum acceptable offset from unfrozen fish-bearing waters for various size explosive charges is:

1-2 pound charge	--	80 feet
5 pound charge	--	120 feet
10 pound charge	--	170 feet
25 pound charge	--	270 feet
100 pound charge	--	530 feet

Note: Minimum offsets are based upon the use of explosives with detonation delays of 8 milliseconds or greater occurring between each charge such that no explosion or combination of explosions will produce an instantaneous pressure in fish bearing waters which exceeds 2 psi.

- b) All vehicles used to carry explosives must be clearly marked with the word "EXPLOSIVES".

- c) All shot wire must be removed from the area.

20) Trails and campsites must be kept clean. All solid wastes including incinerator residue must be backhauled to a solid waste disposal site approved by the Alaska Department of Environmental Conservation.

21) All wastewater must be disposed of in a manner acceptable to the Alaska Department of Environmental Conservation. Acceptable methods of disposal include the following:

- a) Treatment of the entire wastewater stream through a sewage treatment plant capable of producing an effluent which meets secondary treatment standards (30 mg/l BOD, 30 mg/l S.S., and 200 coliform per 100 milliliters). Secondary treated effluent may be discharged to the surface of the land or water of the state subject to a wastewater permit issued by the Department of Environmental Conservation.

- b) The wastestream may be split into blackwater and greywater with the blackwater (sewage) being incinerated in electric or propane incinerating toilets, and the greywater (laundry, shower, and kitchen effluent) being filtered and disinfected prior to discharge. The plans for such a greywater system must be reviewed and approved by the Department of Environmental Conservation.

22) Drinking water must meet Alaska drinking water standards. Minimum treatment must consist of filtration to remove 10 micron sized particles and disinfection.

- 23) Permittees shall abide by the provisions of Alaska's wildlife feeding regulation, 5 AAC 81.218. This regulation provides that it is unlawful to deliberately feed bears, wolves, foxes or wolverines or to deliberately leave human food or garbage in such a manner that it attracts such animals.
- 24) The provisions of the Federal and State Endangered Species Acts and the Federal Marine Mammal Protection Act must be adhered to at all times. The Endangered Species Acts provide that there will be no activity permitted that jeopardizes the continued existence of an endangered species or results in the destruction or adverse modification of habitat of such species. Endangered species known to occur in Alaska include peregrine falcon, Aleutian Canada goose, short-tailed albatross, Eskimo curlew, and humpback, fin, grey, blue and bowhead whales. The applicant is advised to contact the Anchorage U.S. Fish and Wildlife Service, Endangered Species Office (276-3800) for additional information on endangered species. The Marine Mammal Protection Act provides that there will be no intentional disturbance, harassment, catching, or killing of marine mammals. However, a 1981 amendment to the Marine Mammal Protection Act authorizes the Secretary, Department of Interior or the Secretary, Department of Commerce, under certain conditions, to allow U.S. citizens to take small numbers of marine mammals from non-depleted stock incidentally, but not intentionally, in specified areas. The Alaska Department of Natural Resources recommends that this authorization be obtained by the permittee before conducting any operations in or near coastal areas. The Department of Interior, U.S. Fish and Wildlife Service (USFWS) has jurisdiction over sea otter, polar bear and walrus. The Department of Commerce, National Marine Fisheries Service (NMFS) has jurisdiction over all other Alaskan marine mammals including seals, sea lions, whales and porpoise. For further information, the applicant is urged to contact the Anchorage offices of USFWS (276-3800) and NMFS (271-5006).
- 25) On the North Slope, operators shall not disrupt denning polar bears. Polar bears are known to den predominately within 25 miles of the coastline in deeply drifted areas (6ft or greater) adjacent to the cutbank of drainages coastlines or natural islands. Routes of travel must be selected to avoid suspected denning habitat areas.
- 26) To avoid disturbing wildlife, aircraft must maintain a minimum altitude of 1500 feet above ground level except during take-offs and landings. Operations at lower altitudes may be allowed upon approval of the Department of Natural Resources after consultation with the Department of Fish and Game. Human safety will take precedence over aircraft restrictions.
- 27) The permittee shall make a good-faith attempt to coordinate survey activities in the vicinity of trap-lines with the owners, if they are known. Care must be taken to avoid disturbance to trap lines within the survey area.
- 28) The Department of Natural Resources may require that an authorized representative of the Department be on-site during any operations conducted under this permit.

- 29) A copy of the permit and stipulations must be posted in a prominent location in the operator's camp.
- 30) The placing of campsites or storage areas and the stockpiling of material on surface ice of lakes, ponds, or rivers is prohibited.
- 31) A completion report must be submitted within fifteen (15) days after termination of permit activities. This report must contain the following information:
  - a) Dates when work was actually performed and the number of line miles actually surveyed.
  - b) A U.S.G.S. topographic map showing the actual location of all camps, shot lines and routes of travel.
  - c) A list of vehicles used for any off-road travel associated with the permittees activities.
  - d) A statement of cleanup activities.
  - e) A report of the time spent in each campsite.
  - f) A description of the methods of disposal of garbage and other camp debris.
- 32) The Director, Division of Minerals and Energy Management has the right at any time to amend or modify any provisions of this permit.
- 33) The permit authorizes access across and exploration activity upon lands owned by the State of Alaska. If only the sub-surface rights are owned by the State, the permittee shall not enter upon such land until a good-faith attempt has been made to agree with the surface owner or lessee on settlement of damages that may be caused by this activity. If an agreement can not be reached, the Director of the Division of Minerals and Energy Management has the authority to approve the activity, provided adequate provisions have been made with the State to pay for any damages the surface owner may suffer.
- 34) The seismic exploration activities granted under this permit must not diminish the use and enjoyment of lands encompassed within a native allotment. Before entering a pending or approved native allotment, the permittee shall contact the Bureau of Indian Affairs and Bureau of Land Management and comply with applicable federal law.





W. R. Francis  
Division Landman

**Amoco Production Company**

Denver Region  
Amoco Building  
1670 Broadway  
Denver, Colorado 80202

Far West Division  
303-830-4040

October 1, 1982

State of Alaska  
Department of Natural Resources  
555 Cordova Street  
Pouch 7-005  
Anchorage, Alaska 99510

Re: Call for Comments  
Prudhoe Bay Uplands (Sale 51)  
Beaufort Sea (Sale 52)  
Icy Cape (Sale 53)

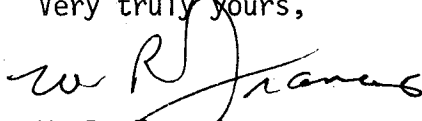
Gentlemen:

This is in response to your letter of August 25, 1982, requesting comments on the sales.

Please be advised that Amoco concurs with the selection of these areas for consideration of inclusion to your Five-Year Leasing Program. While these lands are Frontier Areas, inclusion into your Program will allow industry to further evaluate the areas for oil and gas potential.

We appreciate the opportunity to make these lead comments and also the diligence in which your office pursues the Five-Year Leasing Program.

Very truly yours,



W. R. Francis

WRF:kf

RECEIVED  
OCT 03 1982  
DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA



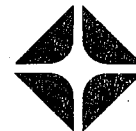
ARCO Alaska, Inc.

ARCO Exploration - Alaska Operations

Post Office Box 360

Anchorage, Alaska 99510

Telephone 907 265 6515



RECEIVED

OCT 08 1982

G. T. Wilkinson

Executive Vice President

October 7, 1982

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

Mrs. Kay Brown, Director  
Division of Minerals & Energy Management  
Department of Natural Resources  
State of Alaska  
Pouch 7-005  
Anchorage, Alaska 99510

Dear Mrs. Brown:

We have reviewed the August 25, 1982 mailing by the Department pertaining to the "State of Alaska Oil and Gas Lease Sales for 1987" and have the following comment for your consideration.

Prudhoe Bay Uplands (Sale 51) will, in essence, be a re-offering sale of expired leases. We feel, therefore, that all available expired leases, both onshore and in the sale BF area, should be included. Also, if the sixteen leases that had either a five or seven year drilling commitment are to expire on February 1, 1985 or February 1, 1987, these also should be included in the proposed Sale 51.

We would like to encourage the State to include some offshore tracts for the Icy Cape (Sale 53) area. We feel this would be appropriate since technology will likely develop for the nearshore area before deeper OCS tracts can be explored.

Primary term for all lease sales in these sale areas should be ten (10) years. Exploration incentive credits, if they prove useful in the coming years, should be used in these remote areas.

We thank you for this opportunity to comment on this State 1987 lease sale plan.

Yours very truly,

:pg



**Chevron U.S.A. Inc.**

2120 Diamond Boulevard, Concord, California  
Mail Address: P.O. Box 8000, Concord, CA 94524

J. J. Anders  
Manager, Alaska Division  
Land Department, Western Region

October 7, 1982

ADDITIONS TO THE STATE'S 5-YEAR  
OIL & GAS LEASING PROGRAM - 1987

Ms. Kay Brown, Director  
Division of Minerals and Energy Management  
Department of Natural Resources  
State of Alaska  
Pouch 7-005  
Anchorage, Alaska 99510

RECEIVED

OCT 07 1982

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

Dear Ms. Brown:

Chevron is generally supportive of the three proposed additions to the State's Five-year Program for 1987. We are particularly pleased to see the Beaufort Sea (Sale 52) and Icy Cape (Sale 53) under consideration. Chevron may be interested in participating in Sale 52 and Sale 53, provided the Department offers these areas using cash bonus as the bid variable and with the royalty set at twelve and one half percent (12½%).

Thank you for the opportunity to respond to your Call for Comment of August 25, 1982.

Sincerely,

*J. J. Anders / J. Cook*

J. J. Anders

:TC:sj

**EXXON** COMPANY, U.S.A.

POST OFFICE BOX 4279 • HOUSTON, TEXAS 77001

EXPLORATION DEPARTMENT  
ALASKA/PACIFIC DIVISION

E. D. STOUT  
MANAGER

RECEIVED

OCT 6 5 1982

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

September 28, 1982

Comments on Proposed  
Oil and Gas Lease Sales  
51, 52, and 53

Ms. Kay Brown, Director  
Department of Minerals and Energy Management  
555 Cordova Street  
Pouch 7-005  
Anchorage, Alaska 99510

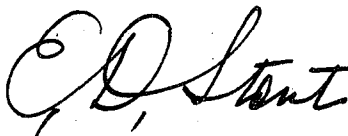
Dear Ms. Brown:

Exxon Company, U.S.A. is pleased to respond to your Call for Comments on the proposed addition of the above captioned lease sales to the State of Alaska Five-Year Leasing Program. We continue to support the concept and objectives of the state Five-Year Oil and Gas Leasing Program. This program allows companies to plan for the most efficient and effective use of resources in preparing for lease sales. Such schedule dependability assures the state of having the maximum number of participants in each sale.

Exxon encourages and supports the addition of the following proposed lease sale areas to the state's Five-Year Leasing Program: Prudhoe Bay Uplands (Sale 51), Beaufort Sea (Sale 52), and Icy Cape (53). We recommend, as we have in previous comments, that you coordinate state lease sales with lease sales in adjacent OCS areas. This is particularly important for the efficient exploration and development of common pool resources. To achieve this efficiency in the Sale 53 area, we suggest that the state expand its offering to include offshore acreage contiguous with the proposed federal Sale No. 85 in the Chukchi Sea. If Sale 53 is expanded to include offshore areas, a provision for pooling acreage across state and federal boundaries will be necessary. We recommend that an agreement regarding unitization be developed between the state and the Minerals Management Service, similar to the one negotiated for the joint federal/state Beaufort Sea Lease Sale in 1979.

Thank you for the opportunity to comment.

Sincerely,



DTS:wb



**PHILLIPS PETROLEUM COMPANY**

DENVER, COLORADO 80237  
8055 EAST TUFTS AVENUE PARKWAY

October 29, 1982

RECEIVED  
NOV 02 1982  
DIV. OF MINERALS & ENERGY MGMT  
ANCHORAGE, ALASKA

The Director,  
Division of Minerals and Energy Management  
Pouch 7-005  
Anchorage, AK. 99510

RE: Call for Comments  
1987 State of Alaska  
Oil & Gas Lease Sales  
Nos. 51, 52 and 53

Dear Ms. Brown:

Please accept our apologies for our late response to your call for comments on the captioned areas. We realize we have missed the October 8, 1982 deadline, but provide our comments anyway in the hope they may still be of use.

Sale #52 covers the area of most interest to us, and would be rated of high geological merit. The area designated for State Sale #51 would be rated of medium interest, with localized areas of higher interest near known features. Sale #53 would be of low to medium interest, as we feel the area may be limited to small gas prone accumulations.

More specific comments we feel we would have to reserve until more details of proposed leasing systems are known, and until more exploratory work is undertaken and results known. However, we would like to emphasize once again the importance of maintaining the State sale schedule as programmed, so that our exploration efforts can progress in a logical manner with a degree of certainty as to timing of sales.

Thank you again for this opportunity.

Yours truly,

M. G. Jarvis  
Alaska Land Supervisor

MGJ:mar

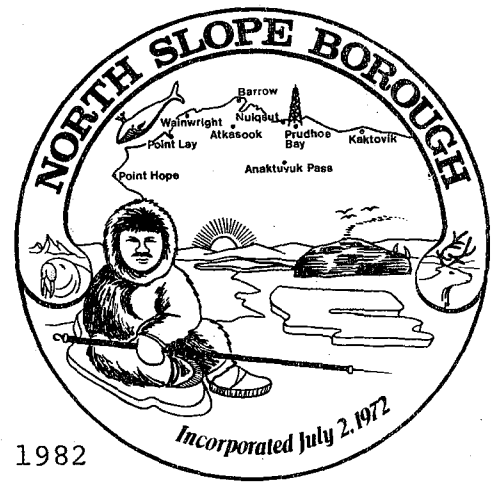
cc: R. I. Swetnam

# NORTH SLOPE BOROUGH

## OFFICE OF THE MAYOR

P.O. Box 69  
Barrow, Alaska 99723  
Phone: 907-852-2611

Eugene Brower, Mayor



September 22, 1982

Kay Brown, Director  
Division of Minerals and Energy Management  
Pouch 7-005  
Anchorage, Alaska 99510

Dear Ms. Brown:

This letter is in response to your letter of August 25 asking for comments regarding the addition of the Beaufort Sea (Sale 52) lease sale area to the State's Five-Year Leasing Program.

The North Slope Borough is opposed to the leasing of these state-owned submerged lands. As you know this includes Smith Bay. This area is important ringed seal habitat and bowhead whales have been seen in and near the Bay. These waters are important subsistence use areas to residents of both Barrow and Nuiqsut. The coastal oilspill retention capability of this area is high to very high. By virtue of the prevailing currents and winds of the area we feel that an oilspill in this area or even in the Sale 71 Area is quite likely to severely impact these waters and the coastline.

With these thoughts in mind I must inform you that the North Slope Borough does oppose the addition of this area to the State's Five-Year Leasing Program.

Sincerely,

Eugene Brower, Mayor

EB/bns

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

DIVISION OF PARKS

JAY S. HAMMOND, GOVERNOR

619 WAREHOUSE DR., SUITE 210  
ANCHORAGE, ALASKA 99501

PHONE: 274-4676

RECEIVED

OCT 12 1982

October 5, 1982

Re: 1120-14

DIV. OF MINERALS & ENERGY MGMT.  
ANCHORAGE, ALASKA

Director  
Division of Minerals and Energy Management  
Pouch 7-005  
Anchorage, Alaska 99510

Subject: Proposed Oil & Gas Lease Sale 51, 52, 53

Dear Sir:

We have reviewed the subject proposal and would like to offer the following comments:

### STATE HISTORIC PRESERVATION OFFICER

There are numerous cultural resources on the Alaska Heritage Resources Survey in the lease sale areas and great potential for other such resources to be found. These sites represent different phases of human occupation in the lease areas. We request that all lease areas where ground disturbing activity will take place, be submitted to the Office of History and Archaeology for review and comment.

### STATE PARK PLANNING

No probable or significant impact on existing, proposed or potential state park or other public recreation values.

The proposed action is consistent with the Alaska Coastal Management Program's recreation standard.

### LAND & WATER CONSERVATION FUND GRANT PROGRAM

No comment.

Sincerely,



Judith E. Marquez  
Director

DR:clk

# MEMORANDUM

State of Alaska

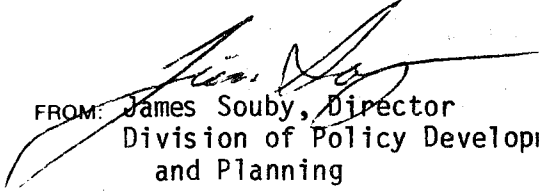
TO: Kay Brown, Director  
Division of Minerals and  
Energy Management

DATE: September 30, 1982

FILE NO:

TELEPHONE NO:

SUBJECT: Call For Comments For  
State Sales 51, 52 & 53

FROM:  James Souby, Director  
Division of Policy Development  
and Planning

RECEIVED  
OCT 03 1982  
DIV. OF MINERALS & ENERGY MGMT  
ANCHORAGE, ALASKA

The Division of Policy Development and Planning (DPDP) does not object to the Department of Natural Resources' (DNR) proposal to add three additional sales to the State's Five-Year Leasing Program for the year 1987. These proposed sales have been identified by DNR as:

Prudhoe Bay Uplands (Sale 51)  
Beaufort Sea (Sale 52)  
Icy Cape (Sale 53)

In terms of a Major Project Review (e.g., preparation of a SEEA) for these proposed sales, DPDP recommends the following levels of analyses:

## Prudhoe Bay Uplands Sale 51

The acreage for leasing in this sale is adjacent to the Prudhoe Bay Uplands Sale 34 area. The Social, Economic and Environmental Analysis (SEEA) completed in July 1982, for Sale 34 should provide sufficient information with which to evaluate the effects of this sale. Therefore, it should not be necessary to prepare a SEEA for proposed Sale 51. Members of the Governor's Agency Advisory Committee on Leasing (AACL) should update information contained in the Sale 34 SEEA and provide any new information or concerns for the Sale 51 area to DNR during preparation of their preliminary .035 finding.

## Beaufort Sea Sale 62

The proposed sale area includes Smith Bay and acreage extending west to Pitt Point in the Beaufort Sea. Although the sale area is not located immediately adjacent to an area for which a SEEA has previously been prepared, it does not appear to include any unique habitats or fish and wildlife resources significantly different from other sale areas in the nearshore Beaufort Sea. Although bowhead whales may pass through the offshore western portion of the sale area during their fall migration, this concern can be adequately addressed in the issues and analysis portion of DNR's preliminary .035 finding. Therefore, information contained in the SEEA's prepared for Sales 36 and 39, along with an update of recent data, should be sufficient to address most of the concerns inherent to the Sale 52 area. It should not be necessary to prepare a SEEA for this proposed sale.

Icy Cape Uplands Sale 53

The proposed sale area consists of acreage onshore between Icy Cape and Point Lay on the Chukchi Sea. In terms of State leasing activity, this is a frontier area. A SEEA should be prepared for this proposed sale.

If you have any questions regarding our comments, contact Rod Swope (465-3562).

cc: Kris O'Connor, DNR  
Carol Wilson, DNR  
Claudia Slater, DF&G  
Doug Redburn, DEC  
Paul Cunningham, DC&RA  
Eric Hansen, DOR  
Karen Haag, DOT/PF  
John Palmes, DPDP



# MEMORANDUM

# State of Alaska

TO: John W. Katz, Commissioner  
Department of Natural Resources

DATE: October 14, 1982 **RECEIVED**

FILE NO:

**OCT 26 1982**

TELEPHONE NO: 465-4100

DIV. OF MINERALS & ENERGY MGMT.

FROM: Ronald O. Skoog, Commissioner  
Department of Fish and Game

SUBJECT: Proposed additions  
to the State 5-Year  
Leasing Program

The Department of Fish and Game appreciates the opportunity to comment on prospective additions to the State's 5-Year Leasing Schedule. We have reviewed the available information on fish and wildlife resources for the proposed Prudhoe Bay Uplands (Sale No. 51), Beaufort Sea (Sale No. 52), and Icy Cape (Sale No. 53) lease sale areas and would like to provide an initial Departmental analysis of critical habitats, with associated recommendations, for your consideration. We are particularly concerned with proposed lease tracts that infringe on valuable caribou calving habitat located near the Canning River delta, Franklin Bluffs, Teshekpuk Lake, and along the Kokolik River. It is our intent to provide the Department of Minerals and Energy Management (DMEM) with these concerns early in the leasing process so that appropriate decisions can be made prior to defining actual lease sale boundaries.

Specific comments on each proposed sale area follow:

## Prudhoe Bay Uplands - Sale No. 51

As currently proposed, Sale No. 51 lease boundaries extend from the Miluveach River, near the Colville River delta, east to the Staines branch of the Canning River delta. Previously leased lands, or lands that are scheduled to be leased in this area include the existing Prudhoe Bay development and production area, the Kuparuk Development Area (KDA), Sales No. 34 (Prudhoe Bay Uplands), No. 36 (Second Beaufort Sea), No. 47 (Kuparuk Uplands), and No. 48 (Second Kuparuk Uplands).

On numerous occasions in the past, the Department of Fish and Game has strongly advocated that North Slope lands be developed sequentially to allow caribou the opportunity to utilize alternate habitats as primary habitats are leased. These requests have been repeatedly dismissed so that now, with the addition of Sale No. 51, virtually all of the Central Arctic Caribou Herd's (CAH) calving grounds and most available alternate habitat has been or is scheduled to be leased. Whitten et al. (1981) documented the presence of two core calving areas for members of the CAH. One area, located south of Milne Point, lies directly within the Kuparuk Development Area, and is currently being subjected to increasing levels of disturbance. Habitats south of this area are included in dual Kuparuk Upland Sales (Sales No. 47 and No. 48) and are scheduled to be leased in 1985 and 1986. The second core area, situated near the Canning River delta, was partially leased in Sales No. 34 and No. 36, and will be leased in its entirety if Sale No. 51 lease tracts are retained. It

has been observed that CAH caribou will sometimes use alternate calving grounds near Franklin Bluffs during years when adverse weather conditions prevail, however, this area is also presently included in proposed Sale No. 51 and lies directly adjacent to Sales No. 47 and No. 48.

It is the Department's opinion that Sale No. 51 should not be included in the State's 5-Year Leasing Program until such time as exploration is terminated on lease tracts in Sale No. 34 and No. 36 lease areas, or it is conclusively determined that oil and gas development does not adversely affect caribou use of these critical areas. This recommendation is based on previous studies in the Prudhoe Bay and Kuparuk Development Areas, and the concern that development may result in widespread caribou disturbance and displacement. Deferred leasing would allow the necessary time for an evaluation process to determine where industrial development will occur and how CAH caribou are affected prior to any additional leasing. This could not be accomplished if all critical habitats of the CAH are leased and in various stages of exploration, development, or production; serious problems that then became evident would be virtually impossible to rectify.

If DMEM decides to proceed with Sale No. 51 as proposed, the Department of Fish and Game will consider recommendations that require extensive deletion of specific tracts, or recommendations that significantly restrict industry activities beyond what is currently allowed in Sale No. 34 and No. 36 lease agreements.

#### Beaufort Sea - Sale No. 52

Coastal habitats within and adjacent to the proposed Sale No. 51 lease area support varied and abundant concentrations of fish and wildlife populations. The Teshekpuk Lake area is particularly important for its value to waterbird species and as a caribou calving area. The large lakes characteristic of this area attract approximately 50,000 geese annually. About 30,000 black brant molt in the Teshekpuk Lake area, which is approximately 20 percent of the world's black brant population. In addition, an estimated 15,000 non-breeding Canada geese use the area, and approximately 5,000 white-fronted geese nest and molt here as well (Dirksen, 1982).

Coastal wetlands north and east of Teshekpuk Lake have been identified as a major calving area for the Teshekpuk Caribou Herd (TCH), although calving may also occur west and south of the lake. This herd currently numbers approximately 4,000 to 5,000 caribou, and animals occupy the area year-round.

Another major population with significant implications for the proposed Sale No. 52 lease area is bowhead whales. Nearshore waters from Pitt Point to Point Barrow have been tentatively identified as critical bowhead whale fall migration and feeding areas, with particularly high densities observed near Cape Simpson and Deese Inlet (Braham and

Krogman, 1977). These data are based, however, on only two years observations and studies currently being conducted should provide additional insight into the importance of this area.

The nearshore waters of Smith Bay and Cape Simpson are also critical habitat for spotted seals during the summer and are used by ringed and bearded seals during the winter. In addition, this area is thought to provide excellent polar bear habitat (NPR-A, 1979).

The Department has previously expressed concern regarding Federal leasing within that portion of the National Petroleum Reserve-Alaska (NPR-A) that surrounds Teshekpuk Lake and lies adjacent to portions of the proposed lease area. Given the abundant fish and wildlife resources in this area, it was our recommendation that the most appropriate Federal action would be to prohibit leasing completely. The Bureau of Land Management (BLM), in its draft environmental impact statement for NPR-A, has subsequently recommended that leasing be deferred at least until 1988. Consistent with these positions reflecting the obvious sensitivity of the Teshekpuk Lake area, the Department believes that extraordinary protective measures are required if Sale No. 52 is eventually leased. Therefore, we would like to provide several general recommendations for your consideration at this time.

1. Surface occupancy should be prohibited within one-half mile of the coastline from all points east of the Ikpikpuk River in order to minimize disturbance of geese and protect critical staging habitat.
2. Caribou calving grounds and high density goose molting habitat should be protected through a prohibition of onshore support facilities, including pipelines and roads, between the Ikpikpuk River and the Colville River.
3. In order to minimize disturbance of caribou and waterfowl, aircraft overflights between the mouths of the Ikpikpuk and Colville Rivers, southward to the southern edge of Teshekpuk Lake, should be required to maintain an altitude of 1500 feet or a horizontal distance of one-mile between May 20 and September 30. During the remainder of the year, aircraft should avoid caribou by an altitude of at least 500 feet.

In addition to the recommendations proposed above, the Department may request in the future that specific areas be deleted to protect bowhead whales. This recommendation will be reserved, however, until adequate data to support such a request are acquired.

#### Icy Cape - Sale No. 53

There is insufficient data to evaluate all potential fish and wildlife resource conflicts in the proposed Icy Cape Sale No. 53 lease area. However, enough information is available to identify two critical habitats that may be significantly impacted as a result of this proposed

sale. Kasegaluk Lagoon, the first area to be considered, supports the largest summer concentration of belukha whales in the Chukchi Sea. In addition, it hosts the largest summer-fall concentration of spotted seals north of Kotzebue Sound (several thousand in some years), and is also a very important area for waterbirds.

Population estimates for belukha whales that frequent Kasegaluk Lagoon range between 500-1500 whales, and highest concentrations occur from late June through July (Seaman, pers. comm.). These whales are believed to utilize warm, near-coastal waters for calving and feeding, and are highly sensitive to water surface or airborne disturbance. Spotted seals arrive in Kasegaluk Lagoon during early July and reach highest densities by the end of the month. These seals will haul out on any tidal flat, sand bar, gravel bar, or low point of land extending from the mainland. Like belukha whales, spotted seals are extremely sensitive to disturbance when hauled out. Principle species of waterfowl in Kasegaluk Lagoon include black brant, oldsquaw, and king eiders, although many other birds, including loons and common eiders, are also present. During summer and early fall, tens of thousands of birds will congregate in this area to nest, molt, or stage, with peak species movements observed during September. Residents from the village of Point Lay are highly dependent on these resources and marine harvests are almost exclusively relegated to Kasegaluk Lagoon and adjacent ocean areas. If leasing occurs, strict restrictions will be necessary during summer and fall periods to minimize disturbance of belukha whales, spotted seals and waterfowl.

The second identified area of critical importance is upland habitat that extends from the headwaters of the Utukok River, south and west to the Kokolik River drainage. This area is identified as extremely important calving habitat for caribou of the Western Arctic Caribou Herd (WAH). This herd currently numbers 180,000 animals and, depending on seasonal availability, may provide a major source of food for most Arctic and northwestern Alaskan villages as far south as the Seward Peninsula. The ecological importance of the identified calving area derives from the presence of abundant tussock tundra in association with a zone of thin snow cover and early melt. In addition, it is possible that the early snow melt may provide a further benefit in that insect hatches are minimized during critical parturition and post-partum stages of the caribou life cycle. Historical evidence indicates that this same general area has been used for calving purposes at least since the nineteenth century (Skoog, 1968).

Caribou of the WAH are also known to be closely associated with coastal areas such as Kasegaluk Lagoon during insect relief periods, and wintering concentrations have frequently been observed within one mile of the coastline (Davis, pers. comm.).

If the proposed Icy Cape Sale No. 53 lease area is added to the State's 5-Year Leasing Program, the Department of Fish and Game requests that DMEM delete the three identified townships located near the Kokolik

River. Although these townships are not recurrent calving areas, they alternately serve this purpose during years when the main body of calving caribou shifts westward. By deleting these areas, displacement and other disturbance related impacts can be avoided during the most sensitive period of caribou occupancy.

Thank you for the opportunity to comment. If you have any questions concerning the material presented, please contact either Lance Trasky or Mark Kuwada at our Anchorage office (344-0541).

cc: Kay Brown, DMEM  
Bruce Baker, Habitat  
Scott Grundy, Habitat  
Richard Bishop, Game  
Francis Van Ballenberghe, Game  
Ray Cameron, Game  
Carl Grauvogel, Game  
Ron Regnart, Comm. Fish  
George Van Wyhe, Sport Fish  
Zorro Bradley, Subsistence

Literature Cited

1. Davis, J. Personal communication. Game Biologist. Alaska Department of Fish and Game. Fairbanks, Alaska.
2. Dirksen, D. 1982. Memorandum dated February 26, to Pacific Flyway Study Committee regarding NPR-A update. 2 pp.
3. NPR-A Task Force. 1978. Ecological profile. NPR-A 105(c). Study Rpt. No. 4. 118 pp.
4. Seaman, G.A. Personal communication. Habitat Biologist. Alaska Department of Fish and Game. Anchorage, Alaska.
5. Skoog, R.O. 1968. Ecology of the caribou (Rangifer tarandus granti) in Alaska. PH.D. dissertation. University of California, Berkeley. 720 pp.
6. USGS. 1979. An environmental evaluation of potential petroleum development on the National Petroleum Reserve in Alaska. NPR-A 105(b). 238 pp.
7. Whitten, K.R., R.D. Cameron, and W.T. Smith. 1981. Calving distribution of the Central Arctic Caribou Herd, 1981. Prelim. Rpt. Alaska Department of Fish and Game. Fairbanks, Alaska. 7 pp.



ACTIVITY	LEAD DIVISION	OTHER STATE AGENCIES OR DIVISIONS CONSULTED	FEDERAL AGENCIES CONSULTED	OTHERS CONSULTED	PUBLIC NOTICE REQUIRED BY STATUTE REGULATION	TIMELINES	WORK PRODUCT
Administer O/G leases (approve plans of operations)	DMEM, DLWM (Joint sign-off)	DFG, DEC, OCM, Parks Ag., AOGCC, Law	NMFS, MMS COE, EPA FWS	BTF, NS Borough	No	Approx. 60 days	Approval or denial
Monitor O/G leases for compliance (on-site)	DLWM	DMEM, DFG, DEC, OCM, Law	None		No	As needed	Field report
Monitor O/G leases for compliance (contracts)	DMEM	Law	None	lessee	No	Annual	Default notice, if necessary
Witness test wells	DMEM	AOGCC	None	lessee	No	Approx. 90 days	Certification
Approve and administer units	DMEM	DFG, DEC, OCM, DGGS, Law, DLWM, Parks, Ag.	MMS	NS Borough public	Yes	100 days	Approval or denial
Issue seismic MLUP's	DMEM, DLWM (Joint sign-off)	DFG, DEC, OCM, DGGS, Parks	MMS, NMFS	BTF, AEWC, NS Borough native group	No	30 days	Approval or denial
Monitor seismic operations for compliance (on-site)	DLWM	DMEM, DFG, DEC, OCM	None	None	No	Ongoing	Field report
Monitor seismic operations for compliance (contracts)	DMEM	Law, DGGS	None	None	No	Ongoing	Receipt of seismic data
Issue land use permits	DLWM, DMEM (Joint sign-off)	DFG, DEC, OCM, Parks, Ag., Forestry, DGGS	None	NS Borough	No	30 days	Approval or denial
Monitor 38.35 right-of-way during construction	DPS						
Administer 38.35 right-of-way after construction	DLWM	None	None	None	No	Duration of lease	Varied

\*As necessary, the lead agency reviews the action for consistency with the Alaska Coastal Management Act.

\*\*Competitive sales or sales to other than state agencies only.

## State Dept./Div. Abbreviations

DMEM	Division of Minerals and Energy Management
DGGS	Division of Geological and Geophysical Surveys
DRD	Division of Research and Development
DLWM	Division of Land and Water Management
DPS	Division of Pipeline Surveillance
DTS	Division of Technical Services
DFG	Department of Fish and Game
DEC	Department of Environmental Conservation
OCM	Office of Coastal Management
AACL	Agency Advisory Committee on Leasing
DPDP	Division of Policy Development and Planning
Law	Department of Law
AOGCC	Alaska Oil and Gas Conservation Commission
DOTPF	Department of Transportation and Public Facilities
DCRA	Department of Community and Regional Affairs
PUC	Public Utilities Commission
Parks	Division of Parks
SPCO	State Pipeline Coordinator's Office
Ag.	Division of Agriculture
Revenue	Department of Revenue
Forestry	Division of Forestry

## Federal Abbreviations

COE	Corps of Engineers
FWS	U.S. Fish and Wildlife Service
MMS	Minerals Management Service
BLM/OCS	Bureau of Land Management/Outer Continental Shelf office
NMFS	National Marine Fisheries Service
EPA	Environmental Protection Agency
DOI	Department of the Interior
BLM	Bureau of Land Management

## Other

NS Borough	North Slope Borough
BTF	Beaufort Sea Biological Task Force (Composed of federal and state agency representatives)



ACTIVITY/ISSUES MATRIX FOR NORTH SLOPE PROJECTS

ACTIVITY	LEAD DIVISION	OTHER STATE AGENCIES OR DIVISIONS CONSULTED	FEDERAL AGENCIES CONSULTED	OTHERS CONSULTED	PUBLIC NOTICE REQUIRED BY STATUTE REGULATION	TIMELINES	WORK PRODUCT
Compile computer resource data base	DGGS	DLWM, DMEM, DRD, DTS			No	Ongoing	Computer resource base
Identify baseline data needed to assess cumulative impacts	DRD	DFG, DEC, OCM, DGGS AACL	COE, FWS	Industry public communities	No	Ongoing	Report
Industrial service base concept - 315 conveyance	DLWM	DMEM, DFG, DEC, OCM	FWS	NS Borough	Yes	160 days	Lease
Beaufort Sea seasonal drilling decision implementation	DMEM	DLWM, DFG, DEC, OCM Law, DPDP	MMS, FWS BLM/OCS NMFS, EPA COE	NS Borough Industry BTF	No	Ongoing	Approve/deny plans of operations
Cross Island	DMEM DLWM	DFG, DEC, OCM		NS Borough	No	Ongoing	Permission to drill
Sag Delta/Duck Island Development	DMEM DLWM	DFG, DEC, OCM, DGGS Law, AOGCC, DPS	MMS, BLM NMFS, COE	NS Borough	Likely	Approx. 2 years	Lease operations approved or denied
Monitor land use permit compliance	DLWM	None	None	None	None	As needed	Field report
Issue material sales: competitive negotiated 38.05.315	DLWM	DFG, DEC, DMEM, DOTPF OCM*	None	Industry public NS Borough communities	Yes**	160 days 1-30 days 60-180 day	Material sales contract
Administer material sales contracts	DLWM	None	None	None	No	Ongoing	
Issue & administer surface leases: competitive negotiated 38.05.315	DLWM	DFG, DEC, DMEM, OCM	None	Industry NS Borough public communities	Yes	160 days 90 days 90 days	Issued lease
Issue & administer tidelands leases: competitive negotiated 38.05.315	DLWM	DFG, DEC, DMEM, OCM	None	Industry NS Borough public communities upland owner	Yes	160 days 90 days 90 days	Issued lease
Issue & administer water appropriations: temporary permit to develop certificate	DLWM	DFG, DEC	None	Industry NS Borough	Yes	10 days 90 days 90 days	Issued permit
Issue & administer rights-of-way	DLWM	DFG, DEC, DMEM	None	Industry NS Borough	Yes	30-150 days	Issued right-of-way
Issue 38.35 right-of-way leases (common carrier pipelines)	DLWM	DFG, DEC, DMEM, DOTPF OCM, DCRA, PUC, DPS	None	Industry NS Borough	Yes	180+days	Issued lease
Update & additions to Five-Year Oil and Gas Leasing Program	DMEM	DGGS, DLWM, Parks, DRD DFG, DEC, OCM, AACL, SPCO, Ag., Law, DTS, Revenue, Legislature	BLM/OCS BLM, FWS COE, DOI NMFS, MMS	Industry public communities	No	3rd week in Jan.	Annual updated schedule
Conduct oil & gas lease sales; issue leases	DMEM	DLWM, DFG, Parks, OCM DEC, AACL, DGGS, SPCO Revenue, Ag., Law, DTS Legislature	BLM/OCS MMS, FWS NMFS, COE DOI	Industry public communities native groups spec. Interest groups	Yes	22-32 mo. before sale and 60-90 day after sale	Lease contracts awarded



PROCEDURES AND DEFINITIONS  
EXPLORATORY DRILLING RESTRICTIONS

The following procedures and definitions will be applied in implementing the State of Alaska's May 1982 decision (see Attachment 1) regarding seasonal restrictions on exploratory operations in the Beaufort Sea.

As with the stipulation, these definitions and procedures apply only to the state-owned and managed tracts sold in Lease Sale 36 (Beaufort Sea), Lease Sale 30 (Joint State/Federal Beaufort Sea Sale) and other previously leased nearby offshore acreage.

Items covered include an operational definition of the "mouths of major rivers," the criteria to be used in determining when "open water" occurs, the scope and responsibilities for the bowhead whale monitoring programs, and the procedures to be used in determining an appropriate "threshold depth" for each well.

Major River Determination

The stipulation requires that downhole activities below the threshold depth at locations at the "mouths of major rivers" be suspended on April 30 unless an extension is granted. The decision to restrict operations at the mouths of these rivers centered on a concern that the overflow associated with the early breakup of these drainages could isolate certain drill sites reducing their accessibility in the event of an emergency.

To determine the extent of early spring overflowing associated with the major rivers in the area, the Division reviewed available NOAA and LANDSAT imagery and consulted with scientists familiar with the area to determine the extent of past overflows associated with the Kuparuk, Sagavanirktok, Shaviovik, and Canning Rivers. The extent of the flooding at the mouths of these rivers is shown in Figures 1-2. These zones of flooding are based on information presently available to the Department and may be modified if new information warrants. Drill sites situated within these zones will be subject to the April 30th suspension requirement. Extensions to May 15 may be granted on a case-by-case basis if ice conditions justify. Operations will be allowed to resume (except drilling below threshold depth at locations outside the barrier islands) once the open water conditions prevail.

### Tentative Zone of Overflooding

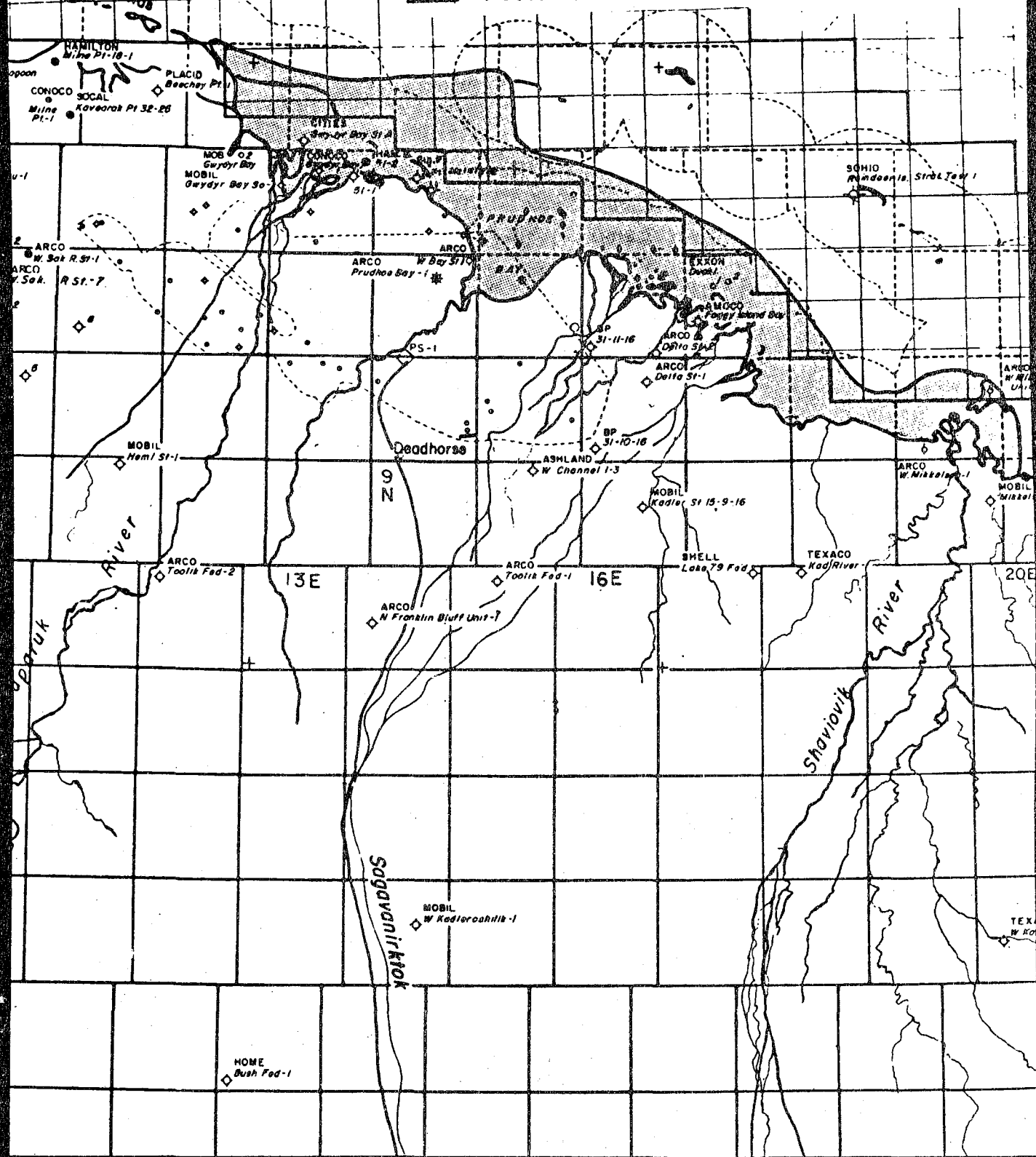
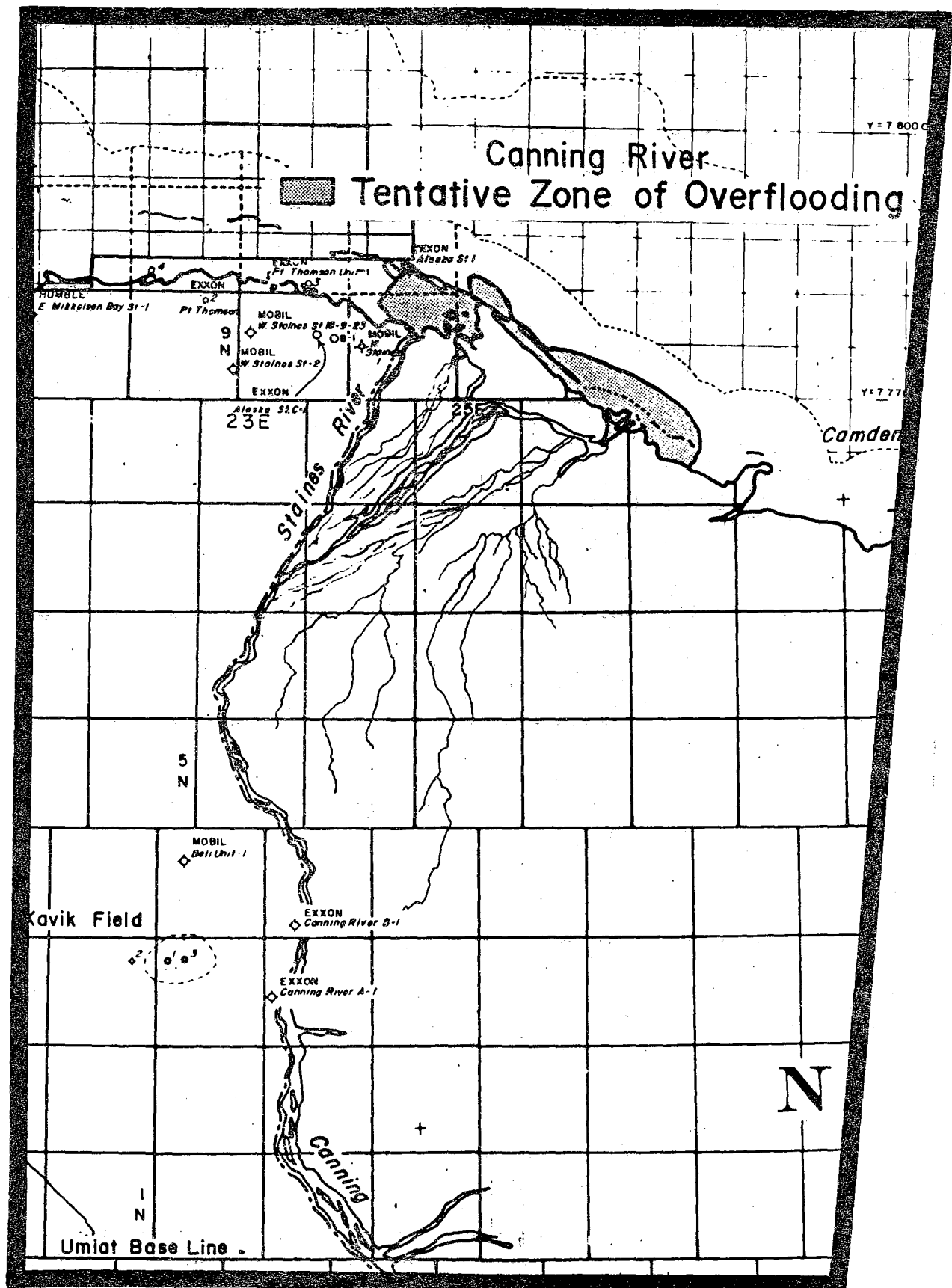


Figure 2



### Determination of open water conditions

The stipulation places no restrictions on drilling operations for locations on and inside the barrier islands during the "open water" period. Unrestricted operations are allowed during this period because of good accessibility to the sites and the much higher effectiveness of oil spill cleanup efforts during the open water period relative to operations during freezeup and breakup.

For the purpose of administering this stipulation, "open water" shall begin when the ice concentration between the drill site and a major onshore staging and support area (e.g. West Dock) does not restrict the transport of heavy equipment and supplies (including drilling muds, cleanup equipment, casing and drill rigs) and when the ice concentration within a mile radius of the drill pad is 25 percent or less.

Once the open water is declared, drilling and other downhole activity below the threshold depth will not be suspended until the commencement of the bowhead whale migration or freezeup, whichever is first, even if ice incursions result in ice concentrations greater than 25%.

The Director, Division of Minerals and Energy Management (DMEM), in consultation with the Department of Environmental Conservation (DEC), shall determine when the criteria stated above have been met based on: 1) information obtained from on-site inspections by Department of Natural Resources (DNR) or DEC representatives, at the request of the lessee, or 2) corroborating information and photographs obtained from a qualified independent consultant hired by the lessee who certifies that these conditions exist.

The Department of Environmental Conservation will soon be seeking a consultant to develop an evaluation model to determine whether lessees are able to cleanup oil in greater concentrations of broken ice. The evaluation model will be used when a lessee desires to go from Tier I of the seasonal restriction to Tier II.

### Whale Monitoring Programs

Two different bowhead whale monitoring activities are required in the stipulation. The first objective is to determine when the bowhead whale migration is in the vicinity of the sale area so that activities which are prohibited during the migration may be suspended. The second objective is to determine if the activities allowed during the migration (e.g. drilling above the threshold depth and testing through casing on and inside the barrier islands) have an adverse impact on the behavior of the bowhead whale population.

A program to determine when whales are in or near the sale area will be funded and conducted in 1983 by the federal Minerals Management Service. The scope and nature of the program will not be determined until the survey program conducted this fall (1982) has been thoroughly evaluated.

A second monitoring program will be required if lessees propose to drill above the threshold depth or test through casing at a location on and inside the barrier islands during the fall bowhead whale migration. The program will be initiated and funded by the lessee(s) proposing to conduct the activity. The proposed monitoring program should be submitted with the lessee's Plan of Operations for the well for review by DNR, the National Marine Fisheries Service and other members of the Beaufort Sea Biological Task Force. If the proposed monitoring program is approved by the Department, the lessee may conduct the stipulated operations during the migration period (provided other necessary state and federal permits have been obtained).

#### Determination of the threshold depth

Operators planning to conduct exploratory drilling and other downhole activities at any time between April 30 or May 15 (whichever applies) and November 1, must submit for review and approval a "suggested threshold depth" for each exploratory well to the Petroleum Manager, Division of Minerals and Energy Management. The suggested threshold depth should be submitted as a separate attachment to the Plans of Operations. The depth should be stated both as a measured depth and as a sub-sea depth. This depth shall be selected to provide a buffer of at least 300 feet above the shallowest anticipated major hydrocarbon accumulation.

The suggested threshold depth must be accompanied by a written justification which details the expected stratigraphic sequence at the proposed well site and which explains why a major accumulation of hydrocarbons is not likely above the threshold depth. Operators shall meet with DMEM personnel who have been approved for access to confidential material to explain the geological and geophysical basis for the proposed threshold depth. Support material, including but not limited to seismic sections, geologic maps, cross sections, and adjacent well data, should be presented during the meeting.

The geological and geophysical exhibits will be returned to the operator at the end of the presentation. DMEM reserves the right to view the same material at a later date while the subject well is still active. If an operator is unable to meet with DMEM personnel, geological and geophysical support material may accompany the written justification. All data, including the proposed threshold depth and the written justification, will remain confidential at the request of the operator

If an operator is reasonably confident that an entire construction, rig-up, drilling, logging, and testing program can be completed before the April 30 or May 15 deadline, whichever is applicable, a proposed threshold depth need not be submitted. If an operator chooses not to submit a proposed threshold depth in its Plan of Operations, and unforeseen delays prevent completion of proposed operations before April 30 or May 15, the operation must be suspended. DMEM will review a proposed threshold depth of the well whenever requested, but cannot guarantee timely approval unless the supporting data are submitted in the Plan of Operations application.

Operators are required to notify DMEM if information is acquired during drilling which suggests that a major accumulation of hydrocarbons might be encountered above the approved threshold depth.

A letter signed by the operator shall be included with the Plan of Operation's completion report which certifies that drilling and other downhole activity below the threshold depth did not occur during the restricted periods.



Seasonal Restrictions on Exploratory Drilling on  
State of Alaska Owned and Managed Tracts in the Beaufort Sea

May 14, 1982

This seasonal drilling restriction decision will apply to state managed or owned tracts in the 1979 Joint State-Federal Beaufort Sea Sale area (Sale 30), the planned Beaufort Sea Sale area (Sale 36), and other previously leased nearby offshore tracts. This decision will be periodically reevaluated on the basis of experience and new information.

A principle purpose of this decision is to insure that the migration route of the bowhead whale will be oil free in the fall.

This decision assumes compliance with otherwise applicable laws and regulations. Specifically, a Plan of Operations must be approved by the Department of Natural Resources (DNR) and an Oil Discharge Contingency Plan must be approved by the Department of Environmental Conservation (DEC).

The restrictions set out below apply only to exploratory drilling. As a matter of policy, the State does not intend to impose seasonal drilling restrictions during development or production stages; however, seasonal restrictions may be imposed in the development and production stages when they are necessary to satisfy requirements of the federal Endangered Species Act, and other applicable state and federal laws and regulations.

The seasonal drilling restriction will not apply for exploratory operations on Flaxman and Tigvariak Islands and on any other islands subsequently identified by the Commissioner of Natural Resources, in consultation with the Commissioners of Environmental Conservation (DEC) and Fish and Game (DFG), as analogous to upland areas because of their size and configuration.

Logistical, construction, and other activities\* related to exploratory drilling may be restricted outside the barrier islands during the fall whale migration.

A whale study and monitoring program, developed in consultation with the National Marine Fisheries Service, will be required in an effort to measure the impact of noise and other disturbances on bowhead whale behavior and on the migration. If adverse impacts are shown, the activities which have caused them will be suspended until the whales leave the area.

This decision assumes that adequate funding and trained personnel will be available for monitoring and enforcement of applicable restrictions.

Tier 1 is effective immediately. Tier 2 will be available on a case-by-case basis for each proposed well.

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\* This decision does not purport to deal with the approval of applications for seismic activity. This issue will be dealt with in a separate policy document.

TIER 1

Exploratory drilling and other downhole activities will be allowed areawide from November 1 to May 15, and on and inside the barrier islands \*\* during the open water period except during the bowhead whale migration. At the mouths of major rivers, downhole activities below the threshold depth\*\*\*, except for testing through casing, will cease by April 30 unless the Commissioner of Natural Resources, in consultation with the Commissioners of Fish and Game and Environmental Conservation, determines that ice conditions justify an extension to May 15. From May 1 in the case of river deltas and from May 16 until the fall whale migration (and on and inside the barrier islands during the migration), testing will be permitted areawide provided that casing has been set through the zones to be tested and DNR and DEC find compliance with other applicable laws and regulations.

Exploratory drilling and other downhole activities above a predetermined threshold depth will be allowed year-round, except that such activities will cease at locations outside the barrier islands during the fall bowhead whale migration.

TIER 2

All exploratory drilling and other downhole activities will be allowed areawide year-round except outside the barrier islands during the fall bowhead migration. Whale monitoring will be required to determine when the whales are actually migrating through or near the area.

This modification of the drilling restriction will be approved on a case-by-case basis for the benefit of lessees who demonstrate compliance with applicable laws and regulations, including the theoretical and physical capability to detect, contain, clean up, and dispose of spilled oil in broken ice conditions.

The State (Department of Environmental Conservation) believes that lessees do not currently possess adequate capability to clean up oil in broken ice. Therefore, as a matter of policy, the State will not approve exploratory drilling and other downhole activities, except as described in Tier 1, during broken ice conditions unless and until the lessee can demonstrate the capability to clean up oil in broken ice.

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\*\* The line connecting the salient points described in the Lease Sale notices for Sales 30 and 36 shall be utilized for defining "on and inside" and "outside" the barrier islands.

\*\*\* The threshold depth is a point above which major accumulations of hydrocarbons are not likely. This depth will be determined on a case-by-case basis by the Division of Minerals and Energy Management after consultation with the Alaska Oil and Gas Conservation Commission and, when appropriate, the Minerals Management Service.



FORM NO. DMEM-3-82  
(NET PROFIT SHARE)  
(Revised July 23, 1982)

This version (DMEM-3-82) of the oil and gas lease form was used for Sale 34, held September 28, 1982. Regulation changes are pending that would require revision of the lease form. A revised form is expected to be released in April, 1983

STATE OF ALASKA  
DEPARTMENT OF NATURAL RESOURCES

Competitive Oil and Gas Lease

ADL No.

THIS LEASE is made by and between the State of Alaska, acting by and through the Commissioner of Natural Resources or the Commissioner's authorized agent, referred to in this lease as "the State," and

referred to in this lease as "the Lessee," whether one or more.

In consideration of the cash payment made by the Lessee to the State, which payment includes the first year's rental and any required cash bonus, and the promises, terms, conditions, and covenants contained in this lease, including the Stipulation(s) numbered

attached to this lease and by this reference incorporated in this lease, the State and the Lessee agree as follows:

1. GRANT. (a) Subject to the promises, terms, conditions, and covenants contained in this lease, the State hereby grants and leases to the Lessee, without warranty, the exclusive right to drill for, extract, remove, clean, process, and dispose of oil, gas, and associated substances in or under the following described tract of land:

containing approximately \_\_\_\_\_ acres, more or less (referred to in this lease as the "leased area"); the nonexclusive right to conduct within the leased area geological and geophysical exploration for oil, gas, and associated substances; and the nonexclusive right to install pipelines and structures on the leased area to find, produce, save, store, treat, process, transport, take care of, and market all oil, gas, and associated substances and to house and board employees in its operations on the leased area.

(b) For the purposes of this lease, the leased area contains the legal subdivisions as shown on the attached plat marked Exhibit A.

(c) If the leased area is described above by protracted legal subdivisions and, after the effective date of this lease, the State causes the leased area to be surveyed under the public land rectangular system, the boundaries of the leased area are those established by that survey, when approved, subject, however, to the provisions of applicable regulations relating to those surveys. If for any reason the leased area includes more acreage than the maximum permitted under applicable law (including the "rule of approximation" authorized in AS 38.05.145 and defined in AS 38.05.365(13)), this lease is not void and the acreage included in the leased area shall be reduced to the permitted maximum. If the State determines that the leased area exceeds the permitted acreage and notifies the Lessee in writing of the amount of acreage that must be eliminated, the Lessee shall have 60 days after that notice to surrender one or more legal subdivisions included in the leased area comprising at least the amount of acreage that must be eliminated. Any subdivision surrendered must be located on the perimeter of the leased area as originally described. If a surrender is not filed within 60 days, the State may terminate this lease as to the acreage that must be eliminated by mailing notice of the termination to the Lessee describing the subdivision eliminated.

(d) If the State of Alaska's ownership interest in the oil, gas, and associated substances in the leased area is less than an entire and undivided interest, the grant under this lease is effective only as to the State's interest in that oil, gas, and associated substances, and the royalties and rentals provided in this lease shall be paid to the State in the proportion that the State's interest bears to the entire undivided fee.

2. **RESERVED RIGHTS.** (a) The State, for itself and others, reserves all rights not expressly granted to the Lessee by this lease. These reserved rights include, but are not limited to:

- (1) the right to explore for oil, gas, and associated substances by geological and geophysical means;
- (2) the right to explore for, develop, and remove natural resources other than oil, gas, and associated substances on or from the leased area;
- (3) the right to establish or grant easements and rights-of-way for any lawful purpose, including without limitation for shafts and tunnels necessary or appropriate for the working of the leased area or other lands for natural resources other than oil, gas, and associated substances;
- (4) the right to dispose of land within the leased area for well sites and well bores of wells drilled from or through the leased area to explore for or produce oil, gas, and associated substances in and from lands not within the leased area; and
- (5) the right otherwise to manage and dispose of the surface of the leased area or interests in that land by grant, lease, permit, or otherwise to third parties.

(b) Rights reserved by the State may be exercised in any manner that does not unreasonably interfere with or endanger the Lessee's operations under this lease.

3. **TERM.** This lease is issued for an initial primary term of \_\_\_\_\_ years from the effective date of this lease. The term may be extended as provided in Paragraph 4 below.

4. **EXTENSION.** (a) This lease shall be extended automatically if and for so long as oil or gas is produced in paying quantities from the leased area.

(b) This lease shall be extended automatically if it is committed to a unit agreement approved or prescribed by the State, and shall remain in effect for so long as it remains committed to that unit agreement.

(c) (1) If the drilling of a well whose bottom hole location is in the leased area has commenced as of the date on which the lease otherwise would expire and is continued with reasonable diligence, this lease shall continue in effect until 90 days after cessation of that drilling and for so long as oil or gas is produced in paying quantities from the leased area. (2) If oil or gas in paying quantities is produced from the leased area, and if that production ceases at any time, this lease shall not terminate if drilling or reworking operations are commenced on the leased area within six months after cessation of production and are prosecuted with reasonable diligence; if those drilling or reworking operations result in the production of oil or gas, this lease shall remain in effect for so long as oil or gas is produced in paying quantities from the leased area.

(d) If there is a well capable of producing oil or gas in paying quantities on the leased area, this lease shall not expire because the Lessee fails to produce that oil or gas unless the State gives notice to the Lessee, allowing a reasonable time, which shall not be less than six months after notice, to place the well into production, and the Lessee fails to do so. If production is established within the time allowed, this lease is extended only for so long as oil or gas is produced in paying quantities from the leased area.

(e) If the State directs or approves in writing a suspension of all operations on or production from the leased area (except for a suspension necessitated by the Lessee's negligence), or if a suspension of all operations on or production from the leased area has been ordered under federal, state, or local law, the Lessee's obligation to comply with any express or implied provision of this lease requiring operations or production shall be suspended, but not voided, and the Lessee shall not be liable for damages for failure to comply with that provision. If the suspension occurs before the expiration of the primary term, the primary term shall be extended at the end of the period of the suspension by adding the period of time lost under the primary term because of the suspension. If the suspension occurs during an extension of the primary term under this Paragraph, upon removal of that suspension, the Lessee shall have a reasonable time, which shall not be less than six months after notice that the suspension has been removed, to resume operations or production. For the purposes of this subparagraph, any suspension of operations or production specifically required or imposed as a term of sale or by any stipulation made a part of this lease shall not be considered a suspension ordered by law.

(f) If the State determines that the Lessee has been prevented by force majeure, after efforts made in good faith, from performing any act that would extend the lease beyond the primary term, this lease shall not expire during the period of force majeure. If the force majeure occurs before the expiration of the primary term, the primary term shall be extended at the end of the period of force majeure by adding the period of time lost under the primary term because of the force majeure. If the force majeure occurs during an extension of the primary term under this Paragraph, this lease shall not expire during the period of force majeure plus a reasonable time after that period, which shall not be less than 60 days, for the Lessee to resume operations or production.

(g) Nothing in subparagraph (e) or (f) suspends the obligation to pay royalties or other production or profit-based payments to the State from operations on the leased area that are not affected by any suspension or force majeure, or suspends the obligation to pay rentals.

5. **RENTALS.** (a) The Lessee shall pay annual rental to the State in accordance with the following rental schedule:

- (1) For the first year, \$1.00 per acre or fraction of an acre;
- (2) For the second year, \$1.50 per acre or fraction of an acre;
- (3) For the third year, \$2.00 per acre or fraction of an acre;
- (4) For the fourth year, \$2.50 per acre or fraction of an acre;
- (5) For the fifth year and following years, \$3.00 per acre or fraction of an acre; provided that the State may increase the

annual rental rate as provided by law upon extension of this lease beyond the primary term.

(b) Annual rental paid in advance is a credit on the royalty or net profit share due under this lease for that year.

(c) The Lessee shall pay the annual rental to the State of Alaska (or any depository designated by the State with at least 60 days' notice to the Lessee) in advance, on or before the annual anniversary date of this lease. The State is not required to give notice that rentals are due by billing the Lessee. If the State's (or depository's) office is not open for business on the annual anniversary date of this lease, the time for payment is extended to include the next day on which that office is open for business. If the annual rental is not paid timely, this lease automatically terminates as to both parties at 11:59 p.m., Alaska Standard Time, on the date by which the rental payment was to have been made.

6. **RECORDS.** The Lessee shall keep and have in its possession books and records showing the development and production (including records of development and production expenses) and disposition (including records of sales prices, volumes, and purchasers) of all oil, gas, and associated substances produced from the leased area. The Lessee shall permit the State of Alaska or its agents to examine these books and records at all reasonable times. These books and records of development, production, and disposition must employ methods and techniques that will ensure the most accurate figures reasonably available without requiring the Lessee to provide separate tankage or meters for each well. The Lessee shall use standard and consistent accounting procedures.

7. **APPORTIONMENT OF ROYALTY FROM APPROVED UNIT.** The landowner's royalty share of the unit production allocated to each separately owned tract shall be regarded as royalty to be distributed to and among, or the proceeds of it paid to, the landowners, free and clear of all unit expenses and free of any lien for them. Under this provision, the State's royalty share of any unit production allocated to the leased area shall be regarded as royalty to be distributed to, or the proceeds of it paid to, the State, free and clear of all unit expenses (and any portion of those expenses incurred away from the unit area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing oil, gas, or associated substances for transportation off the unit area, and free of any lien for them.

8. **PAYMENTS.** All payments to the State of Alaska under this lease shall be made payable to the State in the manner directed by the State, and, unless otherwise specified, shall be tendered to the State at

DEPARTMENT OF NATURAL RESOURCES  
POUCH 7-005

ANCHORAGE, ALASKA 99510

or to any depository designated by the State with at least 60 days' notice to the Lessee.

9. **PLAN OF OPERATIONS.** (a) Except as provided in subparagraph (b) below, no lease operations shall be undertaken on the leased area until a plan of operations has been approved by the State if:

- (1) the State of Alaska owns all or part of the surface estate of the leased area;
- (2) the lease reserves a net profit share to the State of Alaska; or
- (3) the State of Alaska owns all or part of the mineral estate, but the entire surface estate of the leased area is owned by a

third party rather than by the State of Alaska and the surface owner requests that a plan of operations be required by the State.

(b) A lease plan of operations shall not be required by the State for:

- (1) lease operations that would not require a land use permit under 11 AAC; or
- (2) lease operations undertaken pursuant to an approved unit plan of operations in accordance with 11 AAC.

(c) Before undertaking operations on the leased area, the Lessee shall provide for full payment of all damages sustained by the owner of the surface estate as well as by the surface owner's lessees and permittees. If the surface estate is owned by a third party rather than by the State of Alaska, the Lessee shall also notify the surface owner of his opportunity to request that the State require a plan of operations before allowing lease operations to be undertaken on the leased area.

(d) The Lessee shall file with the State 10 copies of its proposed plan of operations if the proposed operations are within the coastal zone, and five copies if the proposed operations are not within the coastal zone.

(e) Application for approval of a plan of operations shall contain statements and maps or drawings setting out the following:

(1) the sequence and schedule of the operations to be conducted on the leased area, including the date operations are proposed to begin and their proposed duration;

(2) projected use requirements directly associated with the proposed operations, including but not limited to the location and design of well sites, material sites, water supplies, solid waste sites, buildings, roads, utilities, airstrips, and all other facilities and equipment necessary to conduct the proposed operations;

(3) plans for rehabilitation of the affected leased area after completion of operations or phases of those operations; and

(4) a description of operating procedure designed to prevent or minimize adverse effects on other natural resources and other uses of the leased area and adjacent areas, including fish and wildlife habitats, historic and archeological sites, and public use areas.

(f) In approving a lease or unit plan of operations, the State may require modifications it determines necessary to protect the environment or the interests of the state. The State shall not require any modification that would be inconsistent with the terms of sale under which the lease was obtained or with the terms of the lease itself, or would deprive the Lessee of reasonable use of the leasehold interest.

(g) The Lessee may, with the approval of the State, subsequently modify an approved plan of operations.

(h) Approval by the State of a plan of operations or any modifications of a plan of operations signifies only that the State has no objection to the operations outlined in the plan from the standpoint of the lease administrator and does not relieve the Lessee of its obligation to obtain approvals and permits required by other governmental agencies having regulatory authority over those operations.

(i) All of the Lessee's operations on the leased area shall be in conformance with the approved plan of operations.

(j) Upon completion of operations, the Lessee shall submit a report indicating the completion date of operations and certifying compliance with requirements imposed as a condition of approval of the plan.

10. **PLAN OF DEVELOPMENT.** (a) Except as provided in subparagraph (d) below, within 12 months after certification of a well capable of producing oil, gas, or associated substances in paying quantities, the Lessee shall file two copies of an application for approval by the State of an initial plan of development that shall describe the Lessee's plans for developing the leased area. No development of the leased area shall occur until a plan of development has been approved by the State.

(b) The plan of development shall be revised, updated, and submitted to the State for approval annually before or on the anniversary date of the previously approved plan. If no changes from an approved plan are contemplated for the following year, a statement to that effect shall be filed for approval in lieu of the required revision and update.

(c) The Lessee may, with the approval of the State, subsequently modify an approved plan of development.

(d) If the leased area is included in an approved unit, the Lessee shall not be required to submit a separate lease plan of development for unit activities.

11. **LOGS AND OTHER RECORDS OF OPERATIONS.** (a) The Lessee shall file with the State all logs, geological and geophysical surveys taken, a description of all tests run for each well drilled on the leased area, and a plat showing the exact location of each well, within 30 days after each well or survey has been completed, suspended, or abandoned.

(b) Any information filed by the Lessee with the State in connection with this lease shall be available at all times for the confidential use of the State for the purpose of enforcing compliance with the promises, terms, conditions, and covenants of this lease and the provisions of Alaska law. Inspection of this information by any persons other than officers or employees of the State of Alaska (and persons performing any function or work assigned to them by the State of Alaska) shall be governed by applicable law.

12. **DIRECTIONAL DRILLING.** This lease may be maintained in effect by directional wells whose bottom hole location is on the leased area but that are drilled from locations on other lands not covered by this lease. In those circumstances, drilling shall be considered to have commenced on the leased area when actual drilling is commenced on those other lands for the purpose of directionally drilling into the leased area. Production of oil or gas from the leased area through any directional well surfaced on those other lands, or drilling or reworking of that directional well, shall be considered production or drilling or reworking operations on the leased area for all purposes of this lease. Nothing contained in this Paragraph is intended or shall be construed as granting to the Lessee any interest, license, easement, or other right in or with respect to those lands in addition to any interest, license, easement, or other right that the Lessee may have lawfully acquired from the State or from others.

13. DILIGENCE AND PREVENTION OF WASTE. (a) The Lessee shall exercise reasonable diligence in drilling, producing, and operating wells on the leased area unless consent to suspend operations temporarily is granted by the State.

(b) Upon discovery of oil or gas on the leased area in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geologic structure at another location with a reasonable profit to the operator, the Lessee shall drill those wells as a reasonable and prudent operator would drill, having due regard for the interest of the State as well as the interest of the Lessee.

(c) The Lessee shall perform all operations under this lease in a good and workmanlike manner in accordance with the methods and practices set out in the approved plan of operations and plan of development, with due regard for the prevention of waste of oil, gas, and associated substances and the entrance of water to the oil- and gas-bearing sands or strata to the destruction or injury of those sands or strata, and to the preservation and conservation of the property for future productive operations. The Lessee shall carry out at the Lessee's expense all orders and requirements of the State of Alaska relative to the prevention of waste and to the preservation of the leased area. If the Lessee fails to carry out these orders, the State shall have the right, together with any other available legal recourse, to enter the leased area to repair damage or prevent waste at the Lessee's expense.

(d) The Lessee shall securely plug in an approved manner any well before abandoning it.

14. OFFSET WELLS. The Lessee shall drill such wells as a reasonable and prudent operator would drill to protect the State from loss by reason of drainage resulting from production on other land. Without limiting the generality of the foregoing sentence, if oil or gas is produced in a well on other land not owned by the State of Alaska or on which the State of Alaska receives a lower rate of royalty than under this lease, and that well is within 500 feet in the case of an oil well or 1,500 feet in the case of a gas well of lands then subject to this lease, and that well produces oil or gas for a period of 30 consecutive days in quantities that would appear to a reasonable and prudent operator to be sufficient to recover ordinary costs of drilling, completing, and producing an additional well in the same geological structure at an offset location with a reasonable profit to the operator, and if, after notice to the Lessee and an opportunity to be heard, the State finds that production from that well is draining lands then subject to this lease, the Lessee shall within 30 days after written demand by the State begin in good faith and diligently prosecute drilling operations for an offset well on the leased area. In lieu of drilling any well required by this Paragraph, the Lessee may, with the State's consent, compensate the State in full each month for the estimated loss of royalty through drainage in the amount determined by the State.

15. UNITIZATION. (a) The Lessee may unite with others, jointly or separately, in collectively adopting and operating under a cooperative or unit agreement for the exploration, development, or operation of the pool, field, or like area or part of the pool, field, or like area that includes or underlies the leased area or any part of the leased area whenever the State determines and certifies that the cooperative or unit agreement is in the public interest.

(b) The Lessee agrees, within six months after demand by the State, to subscribe to a reasonable cooperative or unit agreement that shall adequately protect all parties in interest, including the State. The State reserves the right to prescribe such an agreement.

(c) With the consent of the Lessee, and if the leased area is committed to a unit agreement approved by the State, the State may establish, alter, change, or revoke drilling, producing, and royalty requirements of this lease as the State determines necessary or proper to secure the proper protection of the public interest.

(d) Except as otherwise provided in this subparagraph, where only a portion of the leased area is committed to a unit agreement approved or prescribed by the State, that commitment constitutes a severance of this lease as to the unitized and nonunitized portions of the leased area. The portion of the leased area not committed to the unit will be treated as a separate and distinct lease having the same effective date and term as this lease and may be maintained only in accordance with the terms and conditions of this lease, statutes, and regulations. Any portion of the leased area not committed to the unit agreement will not be affected by the unitization or pooling of any other portion of the leased area by operations in the unit, or by suspension approved or ordered for the unit. If the leased area has a well certified as capable of production in paying quantities on it before commitment to a unit agreement, this lease will not be severed. If any portion of this lease is included in a participating area formed under a unit agreement, the entire leased area will remain committed to the unit upon contraction of the unit and this lease will not be severed.

16. INSPECTION. The Lessee shall keep open at all reasonable times, for inspection by any duly authorized representative of the State of Alaska, the leased area, all wells, improvements, machinery, and fixtures on the leased area, and all reports and records relative to operations and surveys or investigations on or with regard to the leased area or under this lease.

17. SUSPENSION. The State may from time to time direct or approve in writing suspension of production or other operations under this lease.

18. ASSIGNMENT, PARTITION, AND CONVERSION. This lease, or any undivided interest in this lease, may, with the approval of the State, be assigned, subleased, or otherwise transferred as to the entire leased area, or any one or more legal subdivisions included in the leased area, or any separate and distinct zone or geological horizon underlying the leased area or one or more legal subdivisions of the leased area, to any person or persons qualified to hold a lease. No assignment, sublease, or other transfer of an interest in this lease, including assignments of working or royalty interests and operating agreements and subleases, shall be binding upon the State unless approved by the State. The Lessee shall remain liable for all obligations under this lease accruing prior to the approval by the State of any assignment, sublease, or other transfer of an interest in this lease. All covenants, conditions, and agreements contained in this lease shall extend to and be binding upon the heirs, administrators, successors, and assigns of the State and the Lessee. Applications for approval of an assignment, sublease, or other transfer shall comply with all applicable regulations and must be filed within 90 days after the date of final execution of the instrument of transfer. Transfer of this lease or an interest in this lease will be approved by the State unless (1) the Lessee fails to comply with applicable statutes and regulations, (2) the State determines in writing that the transfer would adversely affect the interests of the State of Alaska, or (3) at the discretion of the State, if the transfer covers a portion of the leased area or a separate and distinct zone or geological horizon. Where an assignment, sublease, or other transfer is made of all or a part of the Lessee's interest in a portion of the leased area, this lease may, at the option of the State or upon request of the transferee and with the approval of the State, be severed, and a separate and distinct lease shall be issued to the transferee having the same effective date and terms as this lease.

19. SURRENDER. The Lessee at any time may file with the State a written surrender of all rights under this lease or any portion of the leased area comprising one or more legal subdivisions or, with the consent of the State, any separate and distinct zone or geological horizon underlying the leased area or one or more legal subdivisions of the leased area. That surrender shall be effective as of the date of filing, subject to the continued obligations of the Lessee and its surety to make payment of all accrued royalties and to place all wells and surface facilities on the surrendered land or in the surrendered zones or horizons in condition satisfactory to the State for suspension or abandonment. After that, the Lessee shall be released from all obligations under this lease with respect to the surrendered lands, zones, or horizons.

20. DEFAULT AND TERMINATION; CANCELLATION. (a) The failure of the Lessee to perform timely its obligations under this lease, or the failure of the Lessee otherwise to abide by all express and implied promises, terms, conditions, and covenants of this lease, is a default in the Lessee's obligations under this lease. Whenever the Lessee fails to comply with any of the provisions of this lease (other than a provision which, by its terms, provides for automatic termination), and fails within 60 days after written notice of that default to commence and diligently prosecute operations to remedy that default, the State may terminate this lease if at the time of termination there is no well on the leased area capable of producing oil or gas in paying quantities. If there is a well on the leased area capable of producing oil or gas in paying quantities, this lease may be terminated by an appropriate judicial proceeding. In the event of any termination under this subparagraph, the Lessee shall have the right to retain under this lease any and all drilling or producing wells for which no default exists, together with a parcel of land surrounding each well or wells and rights-of-way through the leased area that are reasonably necessary to enable the Lessee to drill, operate, and transport oil or gas from the retained well or wells.

(b) The State may cancel this lease at any time if the State determines, after the Lessee has been given notice and a reasonable opportunity to be heard, that (1) continued operations pursuant to this lease probably will cause serious harm or damage to biological resources, to property, to mineral resources, or to the environment (including the human environment), (2) the threat of harm or damage will not disappear or decrease to an acceptable extent within a reasonable period of time, and (3) the advantages of cancellation outweigh the advantages of continuing this lease in effect. Any cancellation under this subparagraph shall not occur unless and until operations under this lease have been under suspension or temporary prohibition by the State, with due extension of the term of this lease, continuously for a period of five years or for a lesser period upon request of the Lessee. Any cancellation under this subparagraph will entitle the Lessee to receive compensation as the Lessee demonstrates to the State is equal to the lesser of (1) the value of the cancelled rights as of the date of cancellation, with due consideration being given to both anticipated revenues from this lease and anticipated costs, including costs of compliance with all applicable regulations and stipulations, liability for clean-up costs or damages, or both, in the case of an oil spill, and all other costs reasonably anticipated under this lease, or (2) the excess, if any, over the Lessee's revenues from this lease (plus interest on the excess from the date of receipt to date of reimbursement) of all consideration paid for this lease and all direct expenditures made by the Lessee after the effective date of this lease and in connection with exploration or development, or both, pursuant to this lease, plus interest on that consideration and those expenditures from the date of payment to the date of reimbursement.

21. RIGHTS UPON TERMINATION. Upon the expiration or earlier termination of this lease as to all or any portion of the leased area, the Lessee shall be directed in writing by the State and shall have the right at any time within a period of one year after the termination, or any extension of that period as may be granted by the State, to remove from the leased area or portion of the leased area all machinery, equipment, tools, and materials. Upon the expiration of that period or extension of that period and at the option of the State, any machinery, equipment, tools, and materials that the Lessee has not removed from the leased area or portion of the leased area become the property of the State or may be removed by the State at the Lessee's expense. At the option of the State, all improvements such as roads, pads, and wells shall either be abandoned and the sites rehabilitated by the Lessee to the satisfaction of the State, or be left intact and the Lessee absolved of all further responsibility as to their maintenance, repair, and eventual abandonment and rehabilitation. Subject to the above conditions, the Lessee shall deliver up the leased area or those portions of the leased area in good condition.

22. DAMAGES AND INDEMNIFICATION. (a) No rights under the reservation pursuant to AS 38.05.125 may be exercised by the State or by the Lessee until provision has been made to pay the owner of the land upon which the reserved rights are sought to be exercised full payment for all damages sustained by the owner by reason of entering on the land. If the owner for any reason refuses or neglects to settle the damages, the State or the Lessee may enter upon the land after posting a surety bond determined by the State, after notice and an opportunity to be heard, to be sufficient as to form, amount, and security to secure to the owner payment for damages, and may institute legal proceedings in a court of competent jurisdiction where the land is located to determine the damages which the owner of the land may suffer. The Lessee hereby agrees to pay any damages that may become payable under AS 38.05.130 and to indemnify the State and hold it harmless from and against any claims, demands, liabilities, and expenses arising from or in connection with such damages. The furnishing of a bond in compliance with this Paragraph shall be regarded by the State as sufficient provision for the payment of all damages that may become payable under AS 38.05.130 by virtue of this lease.

(b) The Lessee shall indemnify the State for, and hold it harmless from, any claim, including claims for loss or damage to property or injury to any person caused by or resulting from any act or omission committed pursuant to this lease by or on behalf of the Lessee. The Lessee shall not be held responsible to the State under this subparagraph for any loss, damage, or injury caused by or resulting from the sole negligence of the State.

(c) The Lessee expressly waives any defense to an action for breach of a covenant of this lease or for damages resulting from an oil spill or other harm to the environment that is based on the fact that the act or omission complained of was committed by an independent contractor. The Lessee expressly agrees to assume responsibility for all actions of its independent contractors.

23. BONDS. (a) If required by the State, the Lessee shall furnish a bond prior to the issuance of this lease in an amount equal to at least \$5 per acre or fraction of an acre contained in the leased area, but no less than \$10,000, and shall maintain that bond as long as required by the State.

(b) The Lessee may, in lieu of the bond required under (a) above, furnish and maintain a statewide bond in accordance with applicable regulations.

(c) The State may, after notice to the Lessee and a reasonable opportunity to be heard, require a bond in a reasonable amount greater than the amount specified in (a) above where a greater amount is justified by the nature of the surface and its uses and the degree of risk involved in the types of operations being or to be carried out under this lease. A statewide bond shall not satisfy any requirement of a bond imposed under this subparagraph, but shall be considered by the State in determining the need for and the amount of any additional bond under this subparagraph.



(d) If the leased area is committed in whole or in part to a cooperative or unit agreement approved or prescribed by the State, and the unit operator furnishes a statewide bond, the Lessee need not maintain any bond with respect to the portion of the leased area committed to the cooperative or unit agreement.

24. **AUTHORIZED REPRESENTATIVES.** The Director of the Division of Minerals and Energy Management, Department of Natural Resources, State of Alaska, and the person executing this lease on behalf of the Lessee shall be the authorized representatives for their respective principals for the purposes of administering this lease. The State or the Lessee may change the designation of its authorized representative or the address to which notices to that representative are to be sent by a notice given in accordance with Paragraph 25 below. Where activities pursuant to a plan of operations are underway, the Lessee shall also designate, pursuant to a notice under Paragraph 25 below, by name, job title, and address, an agent who will be present in the state during all lease activities.

25. **NOTICES.** Any notices required or permitted under this lease shall be by electronic media producing a permanent record or in writing and shall be given personally or by registered or certified mail, return receipt requested, addressed as follows:

TO THE STATE:

TO THE LESSEE:

DIRECTOR, DIVISION OF MINERALS AND ENERGY MANAGEMENT  
DEPARTMENT OF NATURAL RESOURCES  
POUCH 7-005  
ANCHORAGE, ALASKA 99510

Any notice given under this Paragraph shall be effective when delivered to the above authorized representative.

26. **STATUTES AND REGULATIONS.** This lease is subject to all applicable state and federal statutes and regulations in effect on the effective date of this lease, and insofar as is constitutionally permissible, to all statutes and regulations placed in effect after the effective date of this lease. This lease shall not be interpreted as a limitation upon the exercise by the State of Alaska or by the United States of America of the power to enact and enforce legislation or to promulgate and enforce regulations affecting, directly or indirectly, the activities of the Lessee or its agents in connection with this lease or the value of the interest held under this lease.

27. **INTERPRETATION.** This lease is to be interpreted in accordance with the rules applicable to the interpretation of contracts made in the State of Alaska. The Paragraph headings are not part of this lease and are inserted only for convenience. The State and the Lessee expressly covenant that the law of the State of Alaska shall apply in any judicial proceeding affecting this lease.

28. **INTEREST IN REAL PROPERTY.** It is the intention of the parties that the rights granted to the Lessee by this lease constitute an interest in real property in the leased area.

29. **SEVERABILITY.** If it is finally determined in any judicial proceeding that any provision of this lease is invalid, the State and the Lessee may jointly determine and agree by a written amendment to this lease that, in consideration of the promises, terms, conditions, and covenants contained in that written amendment, the invalid portion will be treated as severed from this lease and that the remainder of this lease, as amended, will remain in effect.

30. **DEFINITIONS.** All words and phrases used in this lease are to be interpreted where possible in the manner required in respect to the interpretation of statutes by AS 01.10.040. However, the following words have the following meanings unless the context unavoidably requires otherwise:

(1) "oil" means crude petroleum oil and other hydrocarbons, regardless of gravity, that are produced in liquid form by ordinary production methods, including liquid hydrocarbons known as distillate or condensate recovered by separation from gas other than at a gas processing plant;

(2) "gas" means all natural gas (except helium gas) and all other hydrocarbons produced that are not defined in this lease as oil;

(3) "associated substances" means all substances except helium produced as an incident of production of oil or gas by ordinary production methods and not defined in this lease as oil or gas;

(4) "drilling" means the act of boring a hole to reach a proposed bottom hole location through which oil or gas may be produced if encountered in paying quantities, and includes redrilling, sidetracking, deepening, or other means necessary to reach the proposed bottom hole location, testing, logging, plugging, and other operations necessary and incidental to the actual boring of the hole;

(5) "reworking operations" means all operations designed to secure, restore, or improve production through some use of a hole previously drilled, including, but not limited to, mechanical or chemical treatment of any horizon, plugging back to test higher strata, etc.;

(6) "paying quantities" means quantities sufficient to yield a return in excess of operating costs, even though drilling and equipment costs may never be repaid and the undertaking considered as a whole may ultimately result in a loss; and

(7) "force majeure" means war, riots, acts of God, unusually severe weather, or any other cause beyond the Lessee's reasonable ability to foresee or control (including delays caused by judicial decisions or lack of them), whether similar to those enumerated or not.

31. **CONDITIONAL LEASE.** If all or a part of the leased area is land that has been selected by the State under laws of the United States granting lands to the State, but the land has not been patented to the State by the United States, then this lease is a conditional lease as provided by law until the patent becomes effective. If for any reason the selection is not finally approved, or the patent does not become effective, any rental, royalty, or other production or profit-based payments made to the State under this lease will not be refunded.

32. **NONDISCRIMINATION.** The Lessee and the Lessee's subcontractors shall not discriminate against any employee or applicant because of race, religion, color, sex, age, or national origin. The Lessee and its subcontractors shall, on commencement of any operations under this lease, post in a conspicuous place notices setting forth the provisions of nondiscrimination.

33. **ROYALTY ON PRODUCTION.** Except for oil, gas, and associated substances used on the leased area for development and production or unavoidably lost, the Lessee shall pay to the State as a royalty \_\_\_\_\_ percent in amount or value of the oil, gas, and associated substances saved, removed, or sold from the leased area and of the gas used on the leased area for extraction of natural gasoline or other products from the leased area.

34. **VALUE.** (a) For the purposes of computing royalties due under this lease, the value of royalty oil, gas, or associated substances shall not be less than the highest of:

- (1) the field price received by the Lessee for the oil, gas, or associated substances;
- (2) the volume-weighted average of the three highest field prices received by other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality, or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area; if there are less than three prices reported by other producers, the volume-weighted average shall be calculated using the lesser number of prices received by other producers in the field or area;
- (3) the Lessee's posted price in the field or area for the oil, gas, or associated substances; or
- (4) the volume-weighted average of the three highest posted prices in the same field or area of the other producers in the same field or area for oil of like grade and gravity, gas of like kind and quality, or associated substances of like kind and quality at the time the oil, gas, or associated substances are sold or removed from the leased or unit area or the gas is delivered to an extraction plant if that plant is located on the leased or unit area; if there are less than three prices posted by other producers, the volume-weighted average shall be calculated using the lesser number of prices posted by other producers in the field or area.

(b) If oil, gas, or associated substances are sold away from the leased or unit area, the term "field price" in subparagraph (a) above shall be the cash value of all consideration received by the Lessee or other producer from the purchaser of the oil, gas, or associated substances, less the reasonable costs of transportation away from the leased or unit area to the point of sale. The "reasonable costs of transportation" are as defined in 11 AAC 83.228--11 AAC 83.229 as those regulations exist on the effective date of this lease.

(c) In the event the Lessee does not sell in an arm's-length transaction the oil, gas, or associated substances after removal from the leased or unit area, the term "field price" in subparagraphs (a) and (b) above shall mean the price, on the leased or unit area, the Lessee would expect to receive for the oil, gas, or associated substances if the Lessee did sell the oil, gas, or associated substances in an arm's-length transaction. The Lessee shall determine this price in a consistent and logical manner using information available to the Lessee and report that price to the State.

(d) The State may establish minimum values for the purposes of computing royalties on oil, gas, or associated substances obtained from this lease, with consideration being given to the price actually received by the Lessee, to the price or prices paid in the same field or area for production of like quality, to posted prices, to prices received by the Lessee and other producers from sales occurring away from the leased area, and to other relevant matters. In establishing minimum values, the State may use, but is not limited to, the methodology for determining "prevailing value" as defined in 11 AAC 83.227 in circumstances where terms of a contract set a single price for oil, gas, or associated substances for periods of longer than six years without adjustments tied to market conditions, or where the terms of a contract set prices which do not reasonably reflect market conditions for production from that field or area prevailing at the time the contract is executed or renegotiated, or where fraud or an intent to evade payment is demonstrated. Each minimum value determination will be made only after the Lessee has been given notice and a reasonable opportunity to be heard. Under this provision, it is expressly agreed that the minimum value of royalty oil, gas, or associated substances under this lease may not necessarily equal the price of the oil, gas, or associated substances.

35. **ROYALTY IN VALUE.** Unless the State elects to receive all or a portion of its royalty in kind as provided in Paragraph 36 below, the Lessee shall pay to the State the value of all royalty oil, gas, and associated substances as determined under Paragraph 34 above. Royalty paid in value shall be free and clear of all lease expenses (and any portion of those expenses that is incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area. All royalty that may become payable in money to the State of Alaska shall be paid on or before the last day of the calendar month following the month in which the oil, gas, or associated substances are produced. The amount of all royalty in value payments which are not paid when due under this lease or which are subsequently determined to be due as the result of a redetermination shall bear interest from the date the obligation accrued, until it is paid in full, at a variable rate per annum equal to the prime rate as announced from time to time by the Bank of America, San Francisco, California, plus one and one quarter (1.25) percent per annum. Royalty payments shall be accompanied by copies of run tickets or other information relating to valuation of royalty as the State may require which may include, but is not limited to, evidence of sales, shipments, and amounts of gross oil, gas, and associated substances produced.

36. **ROYALTY IN KIND.** (a) At the State's option, which may be exercised from time to time upon not less than six months' notice to the Lessee, the Lessee shall deliver all or a portion of the State's royalty oil, gas, or associated substances produced from the leased area in kind. Delivery shall be on the leased area or at a place mutually agreed to by the State and the Lessee, and shall be delivered to the State of Alaska or to any individual, firm, or corporation designated by the State.

(b) Royalty oil, gas, or associated substances delivered in kind shall be delivered in good and merchantable condition and be of pipeline quality, and shall be free and clear of all lease expenses (and any portion of those expenses incurred away from the leased area), including, but not limited to, expenses for separating, cleaning, dehydration, gathering, saltwater disposal, and preparing the oil, gas, or associated substances for transportation off the leased area.

(c) After having given notice of its intention to take, or after having taken, its royalty oil, gas, or associated substances in kind, the State, at its option and upon six months' notice to the Lessee, may elect to receive a different portion or none of its royalty in kind. If, under federal regulations, the taking of royalty oil, gas, or associated substances in value by the State creates a supplier-purchaser relationship, the Lessee hereby waives its right to continue to receive royalty oil, gas, or associated substances under that relationship, and further agrees that it will require any purchasers of the royalty oil, gas, or associated substances likewise to waive any supplier-purchaser rights.

(d) The Lessee shall furnish storage for royalty oil and natural gas liquids produced from the leased or unit area to the same extent that the Lessee provides storage for the Lessee's share of oil and natural gas liquids. The Lessee shall not be liable for the loss or destruction of stored royalty oil and natural gas liquids from causes beyond the Lessee's reasonable control.

(e) If a State royalty purchaser refuses or for any reason fails to take delivery of oil, gas, or associated substances, or in an emergency, and with as much notice to the Lessee as is practical or reasonable under the circumstances, the State may elect without penalty to underlift for up to six months all or a portion of the State's royalty on oil, gas, or associated substances produced from the leased or unit area and taken in kind. The State's right to underlift is limited to the portion of royalty oil, gas, or associated substances that the royalty purchaser refused or failed to take delivery of, or the portion necessary to meet the emergency condition. Underlifted oil, gas, or associated substances may be recovered by the State at a daily rate not to exceed 10 percent of its royalty interest share of daily production at the time of the underlift recovery.

37. **REDUCTION OF ROYALTY.** After initial production for two years from the field in which the leased or unit area is located has occurred, the State, in its discretion, may reduce the Lessee's obligations to pay royalty on all of the leased area or on any tract or portion of the leased area segregated for royalty purposes upon (1) request by the Lessee, (2) a clear showing by the Lessee that the revenue from all oil, gas, and associated substances produced from the field is insufficient to produce a reasonable rate of return with respect to the Lessee's total investment in the field, and (3) a clear showing by the Lessee that a reduction in royalty will increase total production from the field.

INSERT NOTARY ACKNOWLEDGEMENT OF LESSEE'S SIGNATURE HERE.

The Arctic Slope Oil and Gas Development Map is in the attached folder.

## ACKNOWLEDGEMENTS

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This document was prepared by the staff of the Division of Minerals and Energy Management:

Kay Brown, Director  
Jim Eason, Deputy Director  
Pam Rogers, Leasing Manager  
Kristina O'Connor, Chief, Environmental/Social Unit  
Ron Beran, Chief, Legal/Land Status Unit  
Ed Phillips, Petroleum Economist  
Cass Arie, Petroleum Geologist  
Bob Butts, Natural Resource Manager  
Dave Johnston, Geologist  
Wayne Hanson, Cartographer  
Dan Smith, Drafting Technician  
Nancy Hendrickson, Clerk Typist