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Submitted by: Assembly Chair BEGICH
Prepared by: Assembly Office
For reading: January 6, 1998

ANCHORAGE, ALASKA
AR NO. 98-12

A RESOLUTION OF THE ANCHORAGE MUNICIPAL ASSEMBLY DETERMINING
THAT A PUBLIC HEARING BE HELD REGARDING DNR'S INTENT TO OFFER
LANDS IN THE COOK INLET AREA FOR COMPETITIVE OIL AND GAS LEASING

WHEREAS, on December 16, 1997, the Municipality received formal notice from the State Department of Natural Resources (DNR), Division of Oil and Gas, of its intent to offer 115 tracts (757,880 acres) in the Cook Inlet area for competitive oil and gas leasing - Sale 85A-W; and

WHEREAS, sale 85A-W, which is scheduled to held on February 24, 1998, in the Wilda Marston Theater, is an exempt sale under Alaska Statutes and therefore has not been included in the State's oil and gas leasing program; and

WHEREAS, in its formal notice, DNR stated that Anchorage may be affected by activities resulting from this sale; and

WHEREAS, under AS 38.05.946, the Municipality is entitled to hold a hearing regarding this sale within 30 days after receipt of this notice.

NOW, THEREFORE, the Anchorage Municipal Assembly resolves:

Section 1: That a public hearing be held regarding DNR's Sale 85A-W.

Section 2: That, upon passage, a copy of this resolution be forwarded to the State Commissioner of Natural Resources.

PASSED AND APPROVED by the Anchorage Municipal Assembly this
day of _____, 1998.

Chair

ATTEST:

Municipal Clerk

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

3601 "C" STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948
PHONE: (907) 269-8800

December 11, 1997

**CERTIFIED MAIL
RETURN RECEIPT REQUESTED**

Honorable Mark Begich, Assembly Chairman
Municipality of Anchorage
P.O. Box 196650
Anchorage, Alaska 99519-6650

RECEIVED
Office of Municipal Clerk

DEC 13 1997

P.O. Box 196650
Anchorage, Alaska 99519-6650

Dear Assembly Chairman Begich,

The Department of Natural Resources, Division of Oil and Gas (DO&G), gives formal notice under AS 38.05.945(a)(4), of its intention offer lands for competitive oil and gas leasing, in the Cook Inlet area. Sale 85A-W includes 155 tracts with an area of approximately 757,880 acres. This sale is partially within the Kenai Peninsula Borough. Upland acreage is generally located on the western side of the Kenai Peninsula between Pt. Possession and the community of Ninilchik, and on the west side of Cook Inlet between the Beluga River and Tuxedni Bay. The sale area also consists of state owned tide and submerged lands in central Cook Inlet, and Redoubt, Trading, Tuxedni and Chickaloon Bays. The communities of Anchorage, Hope, Nikiski, Kenai, Soldotna, Sterling, Ninilchik and Kasilof, and Clam Gulch as well as the native villages of Tyonek and Salamatof may be affected by activities resulting from this sale. Sale 85A-W is an exempt sale under AS 38.05.180(d)(1) and (2) and therefore has not been included in the state's oil and gas leasing program.

The Municipality of Anchorage is entitled under AS 38.05.946, to hold a hearing regarding this sale within 30 days after receipt of this notice. If you decide to hold a hearing, please contact me as soon as possible so that the Commissioner of the Department of Natural Resources, or his representative can make arrangements to attend.

Sale 85A-W is scheduled to be held 8:30 a.m. on February 24, 1998, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage. The Department of Natural Resources under the authority of AS 38.05.180 will conduct this sale. Bidders awarded leases as a result of this lease sale will acquire the exclusive right to explore for, develop and produce any oil, gas or associated substances that may be discovered within the leased area.

Notice to Honorable Mark Begich, Assembly Chairman
Sale 85A-W
December 11, 1997
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Sale 85A-W is an exempt sale being held pursuant to AS 38.05.180(w) which allows the commissioner of the DNR to offer for lease land which has been offered for lease within the previous ten years and received no bids. This sale is re-offering tracts that received no bids in Sale 85A, held on December 18, 1996. Though these tracts received no bids in Sale 85A, subsequent oil industry interest in this acreage has provided DO&G with sufficient reason to re-offer these tracts in this sale. Under AS 38.05.180(w) Sale 85A-W is exempt from AS 38.05.180(c) which requires that an oil and gas lease sale may not be held unless the sale was included in the state's proposed leasing program submitted to the legislature during the two calendar years preceding the year in which the sale is to be held.

On November 26, 1997, the commissioner issued a written Decision to Supplement the Sale 85A Best Interest Finding in Oil and Gas Lease Sale 85A-W, Re-offering. This decision determined that, following a public call for comments issued on June 24, 1997, changes to the Sale 85A mitigation measures were appropriate based on information and comments made known to DO&G since completion of the Sale 85A best interest finding. Without deciding whether the information and comments are "substantial new information" under AS 38.05.035(e)(6)(G), the commissioner nevertheless supplemented the Sale 85A best interest finding with these changes for the purpose of Sale 85A-W. A copy of this decision is enclosed.

Also included with this notice are; copies of the state's Best Interest Finding for Sale 85A, the Announcement of Sale for Sale 85A-W, and the Instructions to Bidders. Mitigation Measures and other terms of sale will be enforced throughout the term of the lease. These terms are necessary to protect biological and archeological resources and to mitigate adverse social impacts in the sale area. Copies of the legal description of the tracts to be offered and a set of tract maps will be sent to your offices under separate cover.

These documents will also be available for public review at the following locations: the public libraries in Kenai, Ninilchik, and Soldotna, the Loussac Public Library in Anchorage, the KPB Planning Department offices in Soldotna, and the Municipal Clerk's office of the Municipality of Anchorage.

Please feel free to contact me if you need further information regarding any aspect of this proposed sale.


Kenneth A. Boyd
Director

TONY KNOWLES, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

November 26, 1997

☐ 400 WILLOUGHBY AVENUE
JUNEAU, ALASKA 99801-1796
PHONE (907) 465-2400
FAX (907) 465-3886

☐ 3601 C STREET, SUITE 1210
ANCHORAGE, ALASKA 99503-5921
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Decision to Supplement the Sale 85A Best Interest Finding in Oil and Gas Lease Sale 85A-W, Re-offering, Cook Inlet

On June 24, 1997, the Division of Oil and Gas (DO&G) issued a Call for Comments requesting any substantial new information and comments regarding DO&G's proposal to re-offer, in Sale 85A-W, certain tracts that were not leased in Oil and Gas Lease Sale 85A held December 18, 1996. Under AS 38.05.035(e)(6)(G), DO&G is not required to make a written finding for Sale 85A-W "unless the commissioner determines that substantial new information has become available that justifies a supplement to the most recent best interest finding for the exempt oil and gas lease sale acreage."

DO&G received comments on Sale 85A-W from the U.S. Fish and Wildlife Service, Kenai Peninsula Borough, Kenai River Special Management Area Advisory Board, Cook Inlet Region, Inc., Trustees for Alaska, and Forcenergy. The U.S. Fish and Wildlife Service advised DO&G of their concern regarding the protection of the Kenai River and that the EVOS Trustee Council had purchased land on the Kenai River. The Kenai Peninsula Borough forwarded a draft of minutes of the Kenai Peninsula Borough Planning Commission meeting on the sale. The Kenai River Special Management Area Advisory Board made several comments regarding the Kenai River Special Management Area lands and waters. Cook Inlet Region, Inc. commented on three matters including 1) deletion of tracts south of Ninilchik; 2) more restrictive mitigation measures; and 3) the imposition of mitigation measures on private land. Finally, Forcenergy encouraged DO&G to reoffer open acreage.

Trustees for Alaska discussed several recommendations of the Sale 85A stakeholders which the Governor established and convened after the Sale 85A final best interest finding was issued. The stakeholders developed consensus and non-consensus recommendations for future lease sales. Trustees for Alaska asserted that three of the non-consensus recommendations have not been implemented including that 1) industry identify areas of no industry interest; 2) the administration develop a specific coordinated water quality data gathering and permitting program; and 3) the administration convene a working group to incorporate Alaska Petroleum Institute Recommended Practices and Standards into statutes and regulations.


Trustees also raised the issue of the current litigation over the Sale 85A best interest finding; and commented on proposed amendments to plans of operation regulations, and changes to mitigation measures. Trustees correctly observed that DO&G has deleted tracts south of Ninilchik from Sale 85A-W.

Based upon the Sale 85A-W public comments and recommendations from the Sale 85A and Sale 85 stakeholders, DO&G has modified mitigation measure 8; and added mitigation

measures 6 b, 6 c, 6 d, 6 e, 7, 26 and Lessee Advisories 2, 5 and 6 for Sale 85A-W. See attached. These changes to the Sale 85A mitigation measures are based on information and comments made known to DO&G since completion of the Sale 85A best interest finding. Without deciding whether the information and comments are "substantial new information" under AS 38.05.035(e)(6)(G), I am nevertheless supplementing the Sale 85A best interest finding with these changes for the purpose of Sale 85A-W.

A person adversely affected by this decision may request the commissioner to reconsider the decision if the person has new or additional information relevant to the decision. A request for reconsideration must be received by John Shively, Commissioner, Department of Natural Resources, 3601 "C" Street, Suite 1210, Anchorage, Alaska 99503-5921, or received by fax to 1-907-562-4871 by December 17, 1997, and must comply with 11 AAC 02.020.

If the commissioner fails to act on the request for reconsideration by December 29, 1997, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to Superior Court. An appeal to Superior Court must be taken within 30 days from denial of reconsideration or from date of distribution of decision in accordance with the rules of court and to the extent permitted by applicable law.


John Shively
Commissioner
Appeal Code Number: OG112697.035

Revised Mitigation Measures for Sale 85A-W, Cook Inlet Exempt

AS 38.05.035(e) and departmental delegation of authority provide the director, Division of Oil and Gas (DO&G), with the authority to impose conditions or limitations, in addition to those imposed by statute, to ensure that a resource disposal is in the state's best interests. Consequently, to mitigate the potential adverse social and environmental effects of specific lease related activities, plans of operation, exploration, or development, and other permits will be conditioned by Mitigation Measures in the form of "Sale 85A-W Authorization Terms," throughout the term of the lease.

These measures were developed after considering terms imposed in other Cook Inlet region oil and gas lease sales; fish and wildlife resource and harvest data submitted by ADF&G; environmental data relating to air and water quality, solid and liquid waste disposal, and oil spills submitted by ADEC; as well as comments submitted by the public, local governments, environmental organizations, and other federal, state, and local agencies. Additional project-specific Mitigation Measures are imposed if and when oil and gas lessees submit proposed plans of exploration, operation, or development.

In addition to compliance with these Mitigation Measures, lessees must comply with all applicable state and federal statutes and regulations and any subsequent amendments. Lessees must also comply with all current or future ADNR area plans and recreation rivers plans; and ADF&G game refuge plans, critical habitat area plans, and sanctuary area plans within which a leased area is located. Federal, state and local government powers to regulate the oil and gas industry are discussed in the "Governmental powers to Regulate Oil and Gas Exploration, Development, Production, and Transportation" section of this finding. In addition, Appendix B lists federal and state statutes and regulations that apply to lease activities.

Hereafter, wherever abbreviations are used they mean: Alaska Coastal Management Program (ACMP), Alaska Department of Environmental Conservation (ADEC), Alaska Department of Fish and Game (ADF&G), Alaska Department of Natural Resources (ADNR), Alaska Oil and Gas Conservation Commission (AOGCC), Areas Meriting Special Attention (AMSA), Director (Director, Division of Oil and Gas), Division of Forestry (DOF), Division of Land (DL), Division of Oil and Gas (DO&G), Division of Parks and Outdoor Recreation (DPOR), Division of Mining and Water Management (DMWM), Kenai Peninsula Borough (KPB), Municipality of Anchorage (MOA), State Historic Preservation Officer (SHPO), and U.S. Fish and Wildlife Service (USF&WS).

Under AS 38.05.035(e), ADNR has authority to apply the following mitigation measures for Oil and Gas Lease Sale 85A-W, Cook Inlet Exempt, to all oil and gas activities performed to access the state's leased mineral interest, regardless of the ownership status of the land from which the lessee seeks access.

In previous lease sales, mitigation measures applied through the plans of operations. Current regulations 11 AAC 83.158 and 11 AAC 83.346 require plans of operation to be submitted to the Director for review and approval if the state owns all or part of the surface estate, reserves a net profit share, or the surface owner so requests.

It is the intent of the Director that the following mitigation measures for Oil and Gas Lease Sale 85A-W, Cook Inlet Exempt, will apply to oil and gas activities in, on or accessing all Sale 85A-W leased lands and waterbodies as a condition of issuing the lease, regardless of the ownership status of the land. To implement this change, ADNR has adopted proposed amendments to its regulations to require a plan of operations in all cases. The regulations are currently undergoing review by the Department of Law and must be approved by the department, and then filed by the Lieutenant Governor before taking effect.

The Sale 85A-W lease form has been revised by adding new language stating that "before any operations may be undertaken on the leased area, the lessee shall comply with the applicable statutes and regulations in effect on the date the proposed activity is scheduled to commence." The purpose of the revision is to notify potential lessees that they will have to obtain plan of operations approval and comply with the Sale 85A-W mitigation measures for any activity in, on or accessing the leased area, even if the state does not own the land from which the lessee seeks access, as soon as the regulation amendments are in effect.

Until the regulations are in effect, the following will apply to Sale 85A-W leases.

If the state owns all or part of the surface estate, reserves a net profit share, or a surface owner so requests, lessees must obtain approval of a detailed plan of operations from the Director before conducting exploratory or development activities (11 AAC 83.158). An approved plan of operations is the authorization by which DO&G regulates exploration, development, and production activities.

A plan of operations must identify the specific measures, design criteria, and construction methods and standards to be employed to comply with the restrictions listed below. It must also address any potential geohazards that may exist at the site. Plans of operation must comply with coastal zone consistency review standards and procedures established under 6 AAC 50 and 80 including coastal district plans. Applications for required state or federal agency authorizations or permits must be submitted with the plan of operations. DO&G will require, as a condition of consistency approval, such modification or terms as may be necessary to ensure consistency with the ACMP standards.

If the surface estate is privately owned and is within the coastal zone, lessees must submit a Coastal Project Questionnaire describing the activity to take place to DGC for review. DGC will coordinate with state and federal agencies to determine authorizations or permits needed before exploration or development activities can occur. Lessees must obtain approval of all required state or federal agency authorizations or permits before conducting exploratory or development activities.

Lessees are advised that portions of the sale area located on the upper Kenai Peninsula may be subject to special area permits by ADF&G to protect areas designated by the legislature as state game refuges in AS 16.20.010 -AS 16.20.080.

Except as indicated, the restrictions listed below do not apply to geophysical activity on state land; geophysical exploration is governed by 11 AAC 96.

For those mitigation measures and lessee advisories that are within ADNR's authority, the Lessee may request, and the Director of DO&G may grant, exceptions if compliance with the mitigation measure is not feasible or prudent, or an equal or better alternative is offered. Requests and justifications for exceptions must be included in the initial Plan of Operations when one is required. The decision whether to grant an exception will be based on review of the Plan of Operations by the public and in consultation with appropriate state resource agencies. Mitigation measures subject to exceptions are noted with an asterisk, followed by the initials of the agency that must be consulted in any decision to grant an exception. Critical habitat areas and state game refuges are jointly managed by ADNR and ADF&G; exceptions to mitigation measures in these areas must be agreed to by both agencies. Agency abbreviations are: ADF&G (Alaska Department of Fish and Game), ADEC (Alaska Department of Environmental Conservation), DL (Division of Lands) and DOF (Division of Forestry).

The following minimum Mitigation Measures, including Lessee Advisories, will be imposed on lands leased in Sale 85A-W:

General

- 1 Oil and hazardous substance pollution control: In addition to addressing the prevention, detection, and cleanup of releases of oil, contingency plans (C-Plans) for oil and gas extraction operations should include, but not be limited to, methods for detecting, responding to, and controlling blowouts; the location and identification of oil spill cleanup equipment; the location and availability of suitable alternative drilling equipment; and a plan of operations to mobilize and drill a relief well.
2. Use of explosives will be prohibited in open water areas of fishbearing streams and lakes. Explosives must not be detonated beneath, or in close proximity to fishbearing streams and lakes if the detonation of the explosive produces a pressure rise in the waterbody greater than 2.5 pounds per square inch (psi) unless the waterbody, including its substrate, is solidly frozen.

Explosives must not produce a peak particle velocity greater than 0.5 inches per second (ips) in a spawning bed during the early stages of egg incubation. The minimum acceptable offset from fishbearing streams and lakes for various size buried charges is:

Charge Weight	Distance from Stream
1 pound charge	37 feet (11.2 meters)
2 pound charge	52 feet (15.8 meters)
5 pound charge	82 feet (25.0 meters)
10 pound charge	116 feet (35.4 meters)
25 pound charge	184 feet (50.1 meters)
100 pound charge	368 feet (112.2 meters)

There are numerous fishbearing streams and lakes within the sale area. Specific information on the location of these waterbodies may be obtained by contacting ADF&G.

- 3.* Onshore exploration activities must be supported by air service, an existing road system or port facility, ice roads, or by vehicles which do not cause significant damage to the ground surface or vegetation. Unrestricted surface travel may be permitted by the directors of DO&G and DL, if an emergency condition exists.

Construction of temporary roads may be allowed. Temporary means that a road must be removed to the extent that it is rendered impassable or is otherwise rehabilitated in a manner such that any placed gravel remaining approximates surrounding natural features. Construction of permanent roads will be prohibited during the exploration phase. *Exception - DL

- 4 a. Removal of water from fishbearing rivers, streams, and natural lakes shall be subject to prior written approval by DMWM and ADF&G.
- b. Compaction or removal of snow cover overlying fishbearing waterbodies will be prohibited except for approved crossings. If ice thickness is not sufficient to facilitate a crossing, ice and/or snow bridges may be required.
5. Water intake pipes used to remove water from fishbearing waterbodies must be surrounded by a screened enclosure to prevent fish entrainment and impingement. Screen mesh size shall not exceed 0.04 inches unless another size has been approved by ADF&G. The maximum water velocity at the surface of the screen enclosure may be no greater than 0.1 foot per second.

Facilities and Structures

- 6 a The siting of onshore facilities, other than docks or road and pipeline crossings, will be prohibited within 500 feet (152 m) of all fishbearing streams and lakes. Additionally, siting of facilities will be prohibited within one-half mile of the banks of Harriet Creek, and the Drift, Chuitna, Kenai, and Ninilchik Rivers. New facilities may be sited within the one-half mile buffer if the lessee demonstrates that the alternate location is environmentally preferable, but in no instance will a facility be located within one-quarter mile of the river bank. ADF&G concurrence will be required for siting within the one-half mile buffer. Road and pipeline crossings must be aligned perpendicular or near perpendicular to watercourses.
- b Lessees will minimize sight and sound impacts for new facilities sited less than one-half mile from river banks and in areas of high recreational use by (1) providing natural buffers and screening to conceal facilities; (2) conducting exploration operations between October 1 and April 30; and (3) using alternative techniques to minimize impacts.
- c Surface entry will be prohibited in parcels that are within the Kenai River Special Management Area (KRSMA).

- d. Surface entry will be prohibited on that portion of Tract 85AW-043 within the Kenai National Wildlife Refuge (KNWR). This term does not limit surface entry on other private lands within the refuge.

A fresh water aquifer monitoring well with quarterly water quality monitoring should be required down gradient of a permanent storage facility unless alternative acceptable technology is approved by ADEC.

7. The siting of new facilities in key wetlands and sensitive habitat areas should be limited to the extent possible. If sites are located within these areas, the lessee should demonstrate to the satisfaction of the Director and ADF&G that impacts are minimized through appropriate mitigation measures.
- 8.* Measures will be required by the Director, after consultation with ADF&G and ADEC, to minimize the impact of industrial development on key wetlands. Key wetlands are those wetlands that are important to fish, waterfowl, and shorebirds because of their high value or scarcity in the region or that have been determined to function at a high level using the hydrogeomorphic approach. Lessees must identify on a map or aerial photograph the largest surface area, including future expansion areas, within which a facility is to be sited, or an activity will occur. The map or photograph must accompany the plan of operations. DO&G will consult with ADF&G and ADEC to identify the least sensitive areas within the area of interest. To minimize impacts, the lessee must avoid siting facilities in the identified sensitive habitat areas.
*Exception - ADF&G, ADEC
- 9.* Impermeable lining and diking, or equivalent measures such as double-walled tanks, will be required for onshore oil storage facilities (with a total above ground storage capacity greater than 1,320 gallons, provided no single tank capacity exceeds 660 gal) and for sewage ponds. Additional site-specific measures may be required as determined by ADNRR, with the concurrence of ADEC, and will be addressed in the existing review of project permits or oil spill contingency plans (C-Plans).
- Buffer zones of not less than 500 feet will be required to separate onshore oil storage facilities and sewage ponds from marine waters and freshwater supplies, streams and lakes, and key wetlands. Sumps and reserve pits must be impermeable and otherwise fully contained through diking or other means. *Exception - ADF&G, ADEC
- 10.* With the exception of drill pads, airstrips, and roads permitted under Term 3, exploration facilities must be consolidated, temporary, and must not be constructed of gravel. Use of abandoned gravel structures may be permitted on an individual basis. *Exception - ADF&G, DL
11. a. Wherever possible, onshore pipelines must utilize existing transportation corridors and be buried where soil and geophysical conditions permit. In areas where pipelines must be placed above ground, pipelines must be sited, designed and constructed to allow free movement of moose and caribou.
- b. Offshore pipelines must be located and constructed to prevent obstructions to marine navigation and fishing operations.
- Pipelines must be located upslope of roadways and construction pads and must be designed to facilitate the containment and cleanup of spilled hydrocarbons. Pipelines, flowlines, and gathering lines must be designed and constructed to assure integrity against climatic conditions, tides and currents, and other geophysical hazards.

Local Hire

12. To the extent they are available and qualified, the lessee is encouraged to employ local and Alaska residents and contractors for work performed on the leased area. Lessees shall submit, as part of the plan of operations, a proposal detailing the means by which the lessee will comply

with the measure. The proposal must include a description of the operator's plans for partnering with local communities to recruit and hire local and Alaska residents and contractors. The lessee is encouraged, in formulating this proposal, to coordinate with employment services offered by the state of Alaska and local communities and to recruit employees from local communities.

Training

- 13 Lessee must include in any plan of exploration or plan of development, a training program for all personnel, including contractors and subcontractors, involved in any activity. The program must be designed to inform each person working on the project of environmental, social, and cultural concerns which relate to the individual's job.

The program must employ effective methods to ensure that personnel understand and use techniques necessary to preserve geological, archeological, and biological resources. In addition the program must be designed to help personnel increase their sensitivity and understanding of community values, customs, and lifestyles in areas where they will be operating.

Access

14. a. Public access to, or use of, the leased area may not be restricted except within 1,500 feet (457 m) or less of onshore drill sites, buildings, and other related structures. Areas of restricted access must be identified in the plan of operations.
- b. No lease facilities or operations may be located so as to block access to or along navigable and public waters as defined at AS 38.05.965(13) and (17).
- 15 Lease-related use will be restricted when the commissioner determines it is necessary to prevent unreasonable conflicts with local subsistence harvests and commercial fishing operations. In enforcing this term the division, during review of plans of operation or development, will work with other agencies and the public to assure that potential conflicts are identified and avoided. In order to avoid conflicts with fishing activities, restrictions may include alternative site selection, requiring directional drilling, seasonal drilling restrictions, subsea completion techniques, and other technologies deemed appropriate by the commissioner.
- 16 Prehistoric, Historic, and Archeological Sites
- a. Prior to the construction or placement of any structure, road, or facility resulting from exploration, development, or production activities, the lessee must conduct an inventory of prehistoric, historic, and archeological sites within the area affected by an activity. The inventory must include consideration of literature provided by the KPB, MOA and local residents; documentation of oral history regarding prehistoric and historic 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 effects that might result from the activity.
- b. The inventory must be submitted to the Director for distribution to DPOR for review and comment. In the event that a prehistoric, historic, or archeological site or area may be adversely affected by a leasehold activity, the Director, after consultation with DPOR and the KPB or MOA, will direct the lessee as to what course of action will be necessary to avoid or minimize the adverse effect.
- c. Discovery of prehistoric, historic, or archaeological objects: In the event any site, structure, or object of prehistoric, historic, or archaeological significance is discovered during leasehold operations, the lessee must immediately report such findings to the Director. The lessee must make every reasonable effort to preserve and protect such site, structure, or object from damage until the Director, after consultation with the SHPO, has given directions as to its preservation.

Title 16 Streams

Under Title 16 of the Alaska Statutes, the measure listed below will be imposed by ADF&G below the ordinary high water mark to protect designated anadromous streams for activities that could block fish passage. Similar provisions will be imposed by the Director to protect non-anadromous fishbearing streams. Specific information on the location of anadromous waterbodies in and near the area may be obtained from ADF&G.

- a. Alteration of river banks will be prohibited.
- b. Operation of equipment within riparian habitats will be prohibited.

The operation of equipment, excluding boats, in open water areas of rivers and streams will be prohibited.
- d. Bridges or non-bottom founded structures will be required for crossing fish spawning and important rearing habitats. In areas where culverts are used, they must be designed, installed, and maintained to provide efficient passage of fish.

Waste Disposal

18. Solid waste disposal:

- a. Solid waste generated from the development and/or operation of the lease areas shall be reduced, reused, or recycled to the maximum extent practicable. Garbage and domestic combustible refuse must be incinerated where appropriate. Remaining solid waste shall be taken to an approved disposal site, in accordance with 18 AAC 60.

New solid waste disposal sites will not be approved or located on state property during the exploratory phase. Exceptions may be provided for drilling waste if the facility will comply with the applicable provisions of 18 AAC 60.

- b. The preferred method for disposal of muds and cuttings from oil and gas activities is by underground injection. Injection of non-hazardous oilfield wastes generated during development is regulated by AOGCC through its Underground Injection Control (UIC) Program for oil and gas wells.
- c. Discharge of drilling muds and cuttings into lakes, streams, rivers, and high value wetlands is prohibited. Surface discharge of drilling muds and cuttings into reserve pits shall be allowed only when it is determined that underground injection is not technically achievable. A solid waste disposal permit must be obtained from ADEC. If use of a reserve pit is proposed, the operator must demonstrate the advantages of a reserve pit over other disposal methods, and describe methods to be employed to reduce the disposed volume. Onpad temporary cuttings storage will be allowed as necessary to facilitate annular injection and/or backhaul operations in accordance with ADEC solid waste regulations 18 AAC 60.

19. Wastewater disposal

- a. Unless authorized by NPDES and/or state permit, disposal of wastewater into freshwater bodies, intertidal areas, or estuarine waters is prohibited.
- b. Disposal of produced waters to freshwater bodies, intertidal areas, and estuarine waters is prohibited.
- c. Disposal of produced waters in upland areas, including wetlands, will be by subsurface disposal techniques.

- d. Surface discharge of reserve pit fluids will be prohibited unless authorized in a permit issued by AOGCC and approved by DL.

Gravel Mining

- 20 Gravel mining within an active floodplain will be prohibited. Upland sites will be restricted to the minimum necessary to develop the field in an efficient manner.

Special Areas

- 21 Management of legislatively designated state game refuges and critical habitat areas is the co-responsibility of ADF&G (AS 16.20.050-060) and ADNDR (AS 38.05.027). For activities occurring within a refuge or critical habitat area, the lessee will be required to obtain permits from both ADNDR and ADF&G.

One state game refuge (SGR) and two critical habitat areas (CHA) are located within or partially within the Sale 85A-W area: The Trading Bay SGR, Kalgin Island CHA, and Redoubt Bay CHA

Operations within these refuges must comply with the terms and conditions of the sale, the regulations contained in 5 AAC 95, and the requirements applicable to special area management plans. Where the requirements of this term are more restrictive than the requirements of other Sale 85A-W terms, the provisions of this term prevail.

- a. Surface entry for drilling and above ground lease-related facilities and structures will be prohibited within the core Tule goose and trumpeter swan nesting and molting corridors in the Trading Bay SGR and Redoubt Bay CHA, and on tidelands and wetlands in the Kalgin Island CHA. Surface entry may be allowed on uplands within the Kalgin Island CHA; and surface entry for seismic surveys and similar temporary activities may be allowed in all of these areas, consistent with the Special Area regulations and applicable Special Area management plans. Directional drilling from adjacent sites may be allowed.
- b. Exploration, development, and major maintenance within important Tule goose and trumpeter swan habitat in Trading Bay SGR and the Redoubt Bay CHA, and the primary waterfowl area within Trading Bay SGR will be allowed only between November 1 and March 31, unless an extension is approved by ADF&G and DO&G. Routine maintenance and emergency repairs will be permitted on a year-round basis during the production phase. A detailed plan describing routine maintenance activities to be conducted between April 1 and October 31 must be submitted to ADF&G and DO&G for review and approval.
- c. Gravel pads and wellheads are the only above ground structures that will be allowed within the primary waterfowl area in Trading Bay SGR and important Tule goose and trumpeter swan habitat in Trading Bay SGR and Redoubt Bay CHA.

Construction activities within a refuge must utilize the best available technology to minimize the visual, biological, and physical impacts of these structures and must be approved in writing by ADF&G and the Director.
- d. Surface discharge of produced waters will be prohibited.
- e. Disposal of drilling muds and cuttings will be allowed only at upland sites approved by the Director and ADF&G, after consultation with DL and ADEC.
- f. Facilities must be designed and constructed to prevent the spill and spread of hydrocarbons and to facilitate cleanup efforts.
- g. Facilities must be designed to minimize the possibility of spills or fires resulting from vandalism or hunting accidents.

- h Upon abandonment or expiration of a lease, all facilities must be removed and the sites rehabilitated to the satisfaction of ADF&G and the Director. The departments may determine that it is in the best interest of the public to retain some or all of the facilities. Rehabilitation requirements will be identified in a Habitat Special Area Permit (AS 16.20.060 and/or AS 16.20.530).

Gravel roads will not be allowed during exploration unless an exception is granted as provided above.

Public access to, or use of, the leased area may not be restricted except within the immediate vicinity of onshore drill sites, buildings, and other related structures. Areas of restricted access must be identified in the plan of operations. No lease facilities or operations may be located so as to block access to or along navigable and public waters as defined at AS 38.05.965(13) and (17).

Surface entry will be prohibited within one-quarter mile (0.4 km) of trumpeter swan nesting sites between April 1 through August 31. The siting of permanent facilities, including roads, material sites, storage areas, powerlines, and above-ground pipelines will be prohibited within one-quarter mile (0.4 km) of known nesting sites. Trumpeter swan nesting sites will be identified by ADF&G at the request of the lessee. *Exception - ADF&G

If the lessee discovers a previously unreported active or inactive bald eagle nest site, the lessee must immediately report the nest location to the Director. Lessees are advised that oil and gas activities likely to disturb nesting eagles are subject to the provisions of the Bald Eagle Act of 1940, as amended.

Permanent facilities may be prohibited within one-quarter mile (0.4 km) and will be prohibited within 500 feet (152 m) of nests, active or inactive. Surface entry, fixed wing aircraft flights below 500 vertical feet (152 m), and helicopter flights below 1,500 vertical feet (457 m) will be prohibited within 500 feet (152 m) of active nests between April 1 and August 31. Human safety shall take precedence over this provision.

Temporary activities within 500 feet (152 m) of nesting sites may be allowed between September 1 and March 31 if they will not alter bald eagle habitat.

Maps identifying documented nest sites will be made available by ADF&G, upon request

- 24 The following measures will be required to minimize impacts on Kenai Lowlands Caribou Herd:
- a. Surface entry within the core caribou calving area is prohibited, except that surface entry for seismic exploration will be allowed from October 16 to March 31.
 - *b. Exploration and development activities will be restricted or prohibited between April 1 and October 15 within the core caribou summer habitat, except that maintenance and operation of production wells will be allowed year-round. Permanent roads, or facilities other than production wells, will also be restricted or prohibited within this area. Facilities within the core caribou summer habitat that required year-round access must be located in forested areas, where practical. *Exception - ADF&G
 - *c. Pipelines must be buried within the core caribou summer habitat. *Exception - ADF&G
- 25 For projects in close proximity to areas frequented by bears, lessees are encouraged to prepare and implement bear interaction plans to minimize conflicts between bears and humans. These plans could include measures to: (a) minimize attraction of bears to drill sites; (b) organize layout of buildings and work areas to minimize human/bear interactions; (c) warn personnel of bears near or on drill sites and the proper procedures to take; (d) if authorized, deter bears from the drill site; (e) provide contingencies in the event bears do not leave the site; (f) discuss proper

- storage and disposal of materials that may be toxic to bears; and (g) provide a systematic record of bears on site and in the immediate area.
- 26 Lessees must disclose any major requests for exceptions to these mitigation measures and advisories in their plans of operation and applicable permit applications.
 - 27 Plans of operation submitted for review and approval must describe the lessee's efforts to communicate with local communities, and interested local community groups, if any, in the development of such plans.
 - 28 Lessees must submit a plan of operations to the state for approval as required by 11 AAC 83.158. Where surface activities are proposed on non state-owned land, lessees must submit a plan of operations to the private surface owner. Plans of operation must describe the lessee's efforts to minimize impacts on residential areas and privately-owned surface lands.

Lessee Advisories

- The use of explosives for seismic activities with a velocity of greater than 3,000 feet per second in marine waters is prohibited.
- 2 Lessees must include in their seismic permit applications a plan for notifying the public of their activities.
 - 3 Forest clearing for seismic activity must be approved by the Director after consultation with DOF and ADF&G.
 4. Aircraft flying over the Redoubt Bay CHA, and the primary waterfowl habitat within the Trading Bay SGR, and the core Tule goose and trumpeter swan molting and nesting corridors in Trading Bay SGR and Redoubt Bay CHA must maintain a minimum altitude of 1,500 feet (457 m) above ground level or a horizontal distance of one (1.6 km) from April 1 to October 31. Human safety will take precedence over this provision.
 - a. Because of the state's interest in encouraging clean air, lessees are encouraged to adopt conservation measures to reduce hydrocarbon emissions.
 - b. The state recognizes that in the long run sources of energy other than oil and gas will be needed. Lessee participation in conducting research on alternative energy sources is appreciated.
 6. In populated areas where there is no local planning and zoning, ADNR may require in approval of plans of operation that permanent structures be designed to be compatible with the aesthetics of the surrounding area.

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

3601 "C" STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948
PHONE: (907) 269-8800

November 26, 1997

Phone: 269-8805

**SALE
ANNOUNCEMENT**

**STATE OF ALASKA
COMPETITIVE OIL AND GAS LEASE SALE 85A-W (COOK INLET RE-OFFER)**

The Department of Natural Resources, Division of Oil and Gas (DO&G), gives formal notice under AS 38.05.945(a)(4), of its intention to offer lands for competitive oil and gas leasing in Sale 85A-W, Cook Inlet Re-offer.

SALE AREA DESCRIPTION

Oil and Gas Lease Sale 85A-W is comprised of 155 state-owned tracts with a total area of approximately 757,880 acres. Sale 85A-W is located within the Kenai Peninsula Borough and the Municipality of Anchorage. Upland tracts are generally located on the western side of the Kenai Peninsula between Pt. Possession and the community of Ninilchik, and on the west side of Cook Inlet between the Beluga River and Tuxedni Bay. **Acreage within and near the following waterways will be available for leasing: Kenai River, Moose River, Deep Creek, Kasilof River, Redoubt Creek, Nikolai Creek, Chakachatna River, McArthur River, Kustatan River, Chuitna River, Tyonek River, Drift River, and Big River.**

EXEMPT SALE

Sale 85A-W is an exempt sale being held pursuant to AS 38.05.180(w) which allows the commissioner of the DNR to offer for lease land which has been offered for lease within the previous ten years and received no bids. This sale is re-offering tracts that received no bids in Sale 85A, held on December 18, 1996. Though these tracts received no bids in Sale 85A, subsequent oil industry interest in this acreage has provided DO&G with sufficient reason to re-offer these tracts in this sale. Under AS 38.05.180(w) Sale 85A-W is exempt from AS 38.05.180(c) which requires that an oil and gas lease sale may not be held unless the sale was included in the state's proposed leasing program submitted to the legislature during the two calendar years preceding the year in which the sale is to be held.

Tract Deletions and Acreage Adjustments

The state reserves the right to revise tract acreage at any time up to 10 days prior to the sale and delete whole tracts any time up to and including the day of the sale. Bidders are advised that

they are solely responsible for assuring that the per acre bonus bid submitted for each tract accurately reflects the total acreage within the tract at the time of the sale.

Bidding Method

The bidding method for all tracts in Sale 85A-W will be cash bonus bidding with a minimum bid of \$5 per acre.

Royalty Rate

All leases issued on these tracts will have a fixed royalty rate of twelve and one half percent, (12.5%).

Length of Lease

All leases issued, as a result of Sale 85A-W, will have an initial primary term of seven (7) years

Lease Forms

Leases issued as a result of this sale will be executed on new Form No. DO&G 9606 (COMPETITIVE OIL AND GAS LEASE), revised in June 1997.

Rental

Annual rental will be \$1.00 per acre for the first year, \$1.50 per acre for the second year, \$2.00 per acre for the third year, \$2.50 per acre for the fourth year, and \$3.00 per acre for the fifth and following years.

Bidding Procedures

Sale 85A-W is scheduled to be held on February 24, 1998, in the Wilda Marston Theater, in the Loussac Library, 3600 Denali Street, in Anchorage. **BIDS FOR SALE 85A-W WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Standard Time) on February 23, 1998**, in DO&G's offices in suite 1380 (Thirteenth Floor) of the Frontier Building, 3601 C Street, Anchorage, Alaska. Information regarding the bids will be held confidential until the day of the sale.

In order to bid at Sale 85A-W, bidders must pre-qualify no later than 4:00 p.m. February 23, 1998. Potential bidders should consult DO&G for pre-qualification requirements and procedures. Under 11 ACC 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 or his designee to be immaterial or due to excusable inadvertence, and the omission is corrected within one week after receipt of a notice of deficiency.

Bonding

Before beginning lease operations, an oil and gas lease bond of a minimum of \$10,000 per operation is required under 11 AAC 83.160. In the alternative, a statewide oil and gas lease bond of a minimum of \$500,000 for operations conducted on more than one lease may be filed. These bonding provisions do not affect the commissioner's authority to require additional unusual-risk bonds as may be necessary. In addition, the Alaska Oil and Gas Conservation Commission

(AOGCC) requires a bond of at least \$100,000 for a single well or a bond of at least \$200,000 to cover wells statewide before drilling operations will be permitted by AOGCC.

Best Interest Finding

In support of Oil and Gas Lease Sale 85A-W the director of DO&G has previously prepared a written final finding and decision under AS 38.05.035(e) which set forth the facts, policies, and applicable laws upon which he has based his determination that this sale best served the interests of the state.

Under AS 38.05.035(e)(6)(G), DO&G is not required to produce a new best interest finding for an exempt oil and gas lease sale held under AS 38.05.180(w), provided the acreage was offered in a sale that was held within the previous ten years and the sale was subject to a written best interest finding, unless the commissioner determines that substantial new information has become available that justifies a supplement to the most recent best interest finding. All of the tracts included in Sale 85A were subject to a best interest finding for Sale 85A issued on September 17, 1996.

On November 26, 1997, the commissioner issued a written Decision to Supplement the Sale 85A Best Interest Finding in Oil and Gas Lease Sale 85A-W, Re-offering, Cook Inlet. This decision determined that, following a public call for comments issued on June 24, 1997, changes to the Sale 85A mitigation measures were appropriate based on information and comments made known to DO&G since completion of the Sale 85A best interest finding. Without deciding whether the information and comments are "substantial new information" under AS 38.05.035(e)(6)(G), the commissioner nevertheless supplemented the Sale 85A best interest finding with these changes for the purpose of Sale 85A-W.

A person adversely affected by this decision may request the commissioner to reconsider the decision if the person has new or additional information relevant to the decision. A request for reconsideration must be received by John Shively, Commissioner, Department of Natural Resources C Street, Suite 1210, Anchorage, Alaska 99503-5921, or received by fax to 1-907-562-4871 by 5:00 p.m. (Alaska Standard Time) December 17, 1997, and must comply with 11 AAC 02.020.

If the commissioner fails to act on the request for reconsideration by December 29, 1997, the request is considered denied. Denial of a request for reconsideration is the final administrative decision for purposes of appeal to Superior Court. An appeal to Superior Court must be taken within 30 days from denial of reconsideration or from date of distribution of decision in accordance with the rules of court and to the extent permitted by applicable law.

Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority give the director, DO&G, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that the disposal best serves the interests of the state. To meet this requirement, the director has adopted environmental and social terms and conditions, which may include limits on surface entry for tracts offered in Sale 85A-W. These lease mitigation measures will be enforced

throughout the duration of the lease. Lease terms will be imposed through approval of plans of operations or exploration and development and other permits to mitigate potential adverse social and environmental effects of lease related activities.

Plans of operation are required on all leases for which the state has an ownership or management interest in the surface estate. In addition to a plan of operations, some proposed lease activities may be subject to the local land use regulations of the municipality in which the lease tract is located. Under limited circumstances a plan of operation is not required. The lessee must still obtain all the necessary permits and approvals otherwise required by law or regulation for the proposed activity. Additional restrictions may be imposed through the permitting process and the ACMP review process.

DNR is in the process of amending its regulations to require a plan of operations for all oil and gas activities in or on Sale 85A-W leased lands and waterbodies, regardless of their surface estate ownership status. A plan of operations is to be submitted to DO&G for its review and approval. DO&G will review this plan for consistency with the ACMP under 6 AAC 50.

The lease mitigation measures developed by the state for Sale 85A-W describe standards that must be met by the lessees. These standards are applicable to water quality and appropriation; gravel extraction; oil spill prevention and cleanup; construction of causeways; 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 lease mitigation measures are necessary to protect biological, cultural and archeological resources, and to mitigate social impacts in the sale areas.

In response to comments received during the comment period and recommendations from the Sale 85A and Sale 85 Stakeholders, DNR has revised selected mitigation measures for Sale 85A-W. Potential bidders are advised that they should obtain a current set of mitigation measures for this sale. The following measures have either been revised or have been added:

Revised Mitigation Measure 8;

Added Mitigation Measures 6 b, 6 c, 6 d, 6 e, 7, 26 and Lessee Advisories 2, 5 and 6.

Other Terms of Sale

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. Determination of public or navigable waters and the location of easements or rights-of-way to protect access to and along those waters will be addressed in the plans of operation or plans of exploration and development for each lease.

Bidding Procedures

Sale 85A-W is scheduled to be held at 8:30 a.m., on February 24, 1998, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage.

BIDS FOR SALE 85A-W WILL BE RECEIVED ONLY FROM 9:00 a.m. to 4:00 p.m. (Alaska Standard Time) ON FEBRUARY 23, 1998 in Room 1380 (Thirteenth Floor) of the Frontier Building, 3601 "C" Street, Anchorage, Alaska. Bids arriving prior to February 23, 1998 will be held by DO&G until 9:00 a.m. on February 23, 1998 and will be officially received at that time. Bids that are sent by mail, Federal Express, DHL or any other delivery service must be sent to: Director, DO&G, Suite 1380, 3601 "C" Street, Anchorage, Alaska 99503-5948, and must be received by the division no later than 4:00 p.m., February 23, 1998.

The envelope for each bid for tracts in Sale 85A-W should be marked:

"State of Alaska Competitive Oil and Gas Lease Sale 85A-W; not to be opened until 8:30 a.m., February 24, 1998; Tract #_____."

No other statements, information or identification should appear on the outside of the envelope.

BIDS RECEIVED FOR SALE 85A-W AFTER 4:00 p.m. FEBRUARY 23, 1998 OR ON THE DAY OF THE SALE WILL BE REJECTED.

Bids will be processed on February 24, 1998 in the following manner:

1. 8:30 a.m. - 10:00 a.m., Unadjudicated bids will be opened and read in public in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage, Alaska.
2. 10:00 a.m. - 3:00 p.m., Bids will be adjudicated in the offices of the Division of Oil and Gas, in Suite #1380 of the Frontier Building, 3601 "C" Street, Anchorage Alaska.
3. 3:30 p.m., Preliminary Sale Results, including a list of the apparent high bidders, will be available to the public in the Department of Natural Resources' Public Information Center, located in Suite #200 of the Frontier Building, 3601 "C" Street, Anchorage, Alaska.

In order to bid at the sale, bidders must pre-qualify no later than 4:00 p.m., February 23, 1998. Potential bidders should consult the Instructions to Bidders or DO&G for pre-qualification requirements and 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 or his designee to

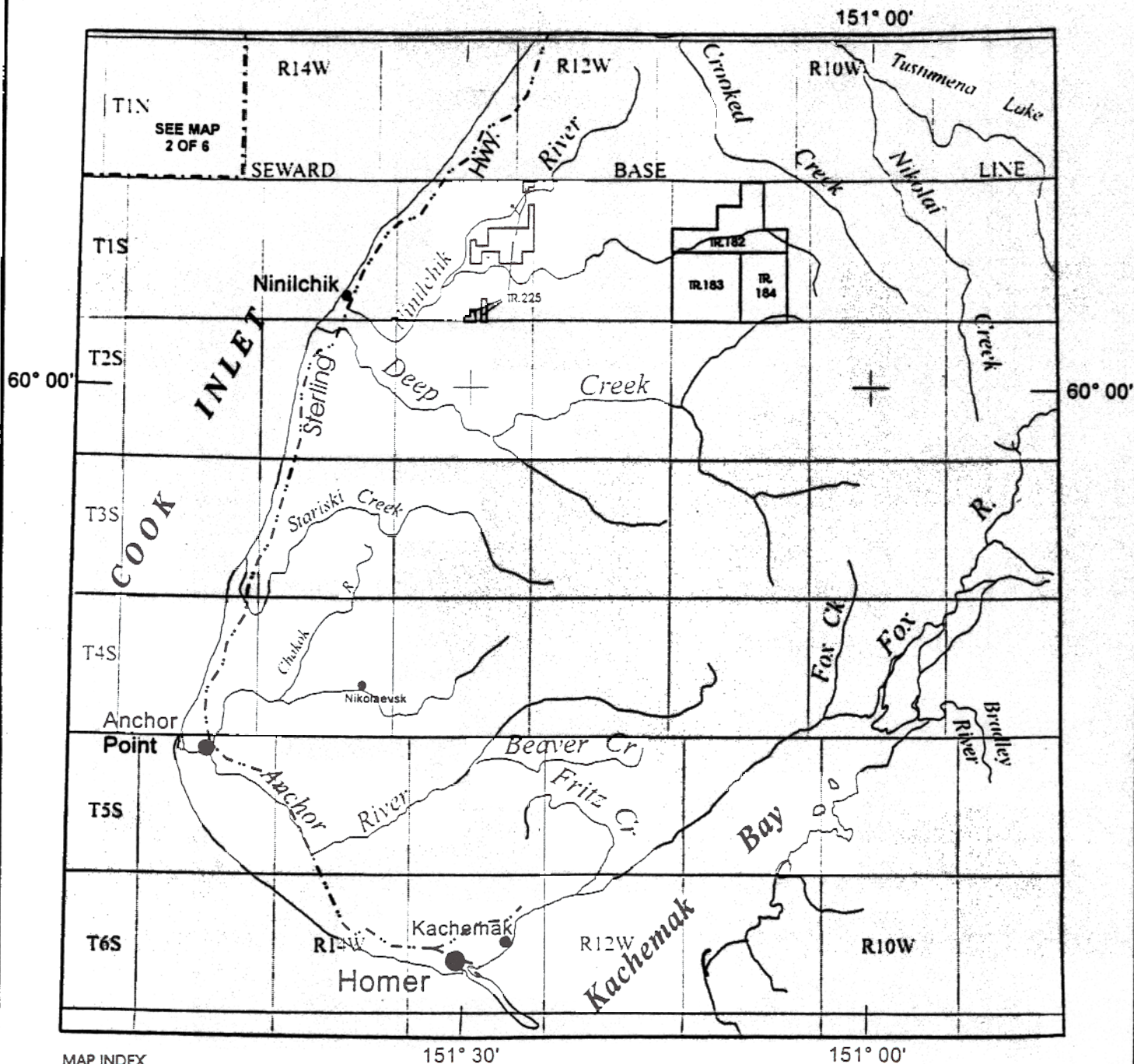
be immaterial or due to excusable inadvertence, and the omission is corrected within one week after receipt of a notice of deficiency.

Additional Information

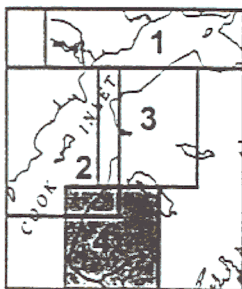
Potential bidders and interested individuals may also obtain complete details regarding Sale 85A-W including; copies of this Notice of Sale, the Sale Announcement, Instructions to bidders, Mitigation Measures, the Best Interest Finding for Sale 85A, the Decision to Supplement the Sale 85A Best Interest Finding in Oil and Gas Lease Sale 85A-W, the Final ACMP Consistency Determination for Sale 85A, Tract Maps, Legal Descriptions, sample lease document and other information during regular office hours, from DO&G at 3601 C Street, Suite 1380, Anchorage, Alaska 99503-5948. The cost for each set of tract maps is \$50.00, plus \$3.50 for postage. Digital maps and legal descriptions on CD-ROM are also available for an additional \$5.00 each. Please make checks payable to: Department of Revenue, State of Alaska.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act, 1990. This Publication is available in alternative communication formats upon request. Please contact William Garoutte at (907) 269-8808 to make any necessary arrangements.

85A-W, -Announcement



MAP INDEX



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
OIL AND GAS LEASE SALE 85A-W
COOK INLET REOFFER FINAL SALE AREA MAP

SCALE 1:400,000 ONE INCH EQUALS 6.5 MILES APPROX.

5 0 5 10 15 MILES

DIRECTOR, DIV. OF OIL & GAS

KENNETH A. BOYD

PETROLEUM GEOPHYSICIST,

JAMES HANSEN

DRAWN BY:

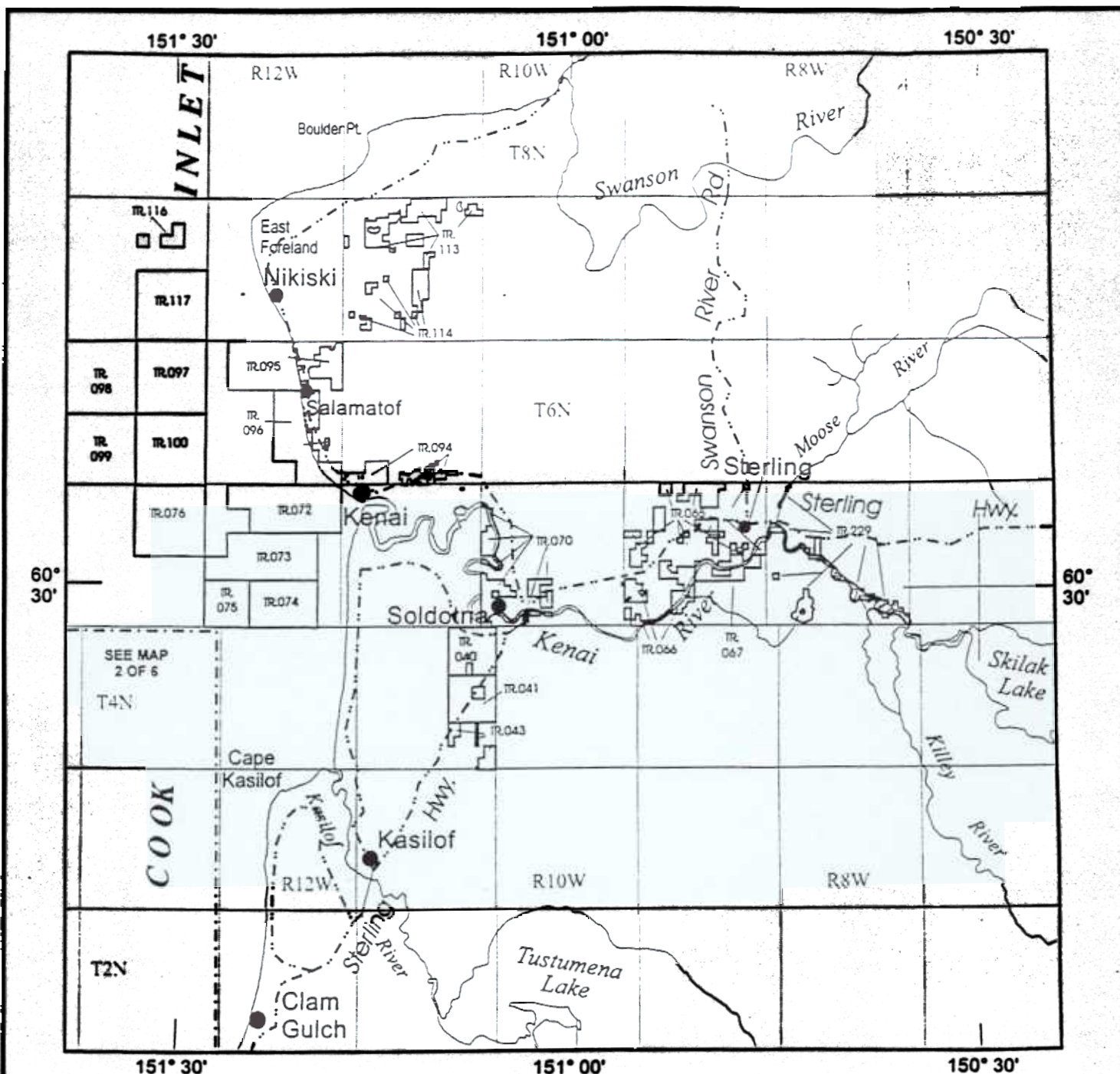
O.D.S.

CHECKED BY:

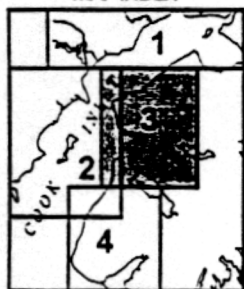
DATE APPROVED: 11/25/97

Albers Equal-Area Conic Projection
Based On The Clark 1866 Ellipsoid
Central Meridian: -150.00
Origin Latitude: 50.00

NOTE: THIS MAP IS NOT AN OFFICIAL TRACT MAP BUT IS FOR INFORMATIONAL PURPOSES ONLY. A SET OF OFFICIAL TRACT MAPS IS AVAILABLE AT THE DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL & GAS, 3601 C STREET, SUITE 1380, ANCHORAGE, ALASKA 99503 (907)-269-8805



MAP INDEX



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL AND GAS
OIL AND GAS LEASE SALE 85A-W
COOK INLET REOFFER FINAL SALE AREA MAP

SCALE 1:400,000 ONE INCH EQUALS 6.25 MILES APPROX.

0 5 10 15 MILES

DIRECTOR, DIV. OF OIL & GAS

KENNETH A. BOYD *Kenneth A. Boyd*

PETROLEUM GEOPHYSICIST

JAMES HANSEN *James Hansen*

DRAWN BY:

O.D.S.

CHECKED BY:

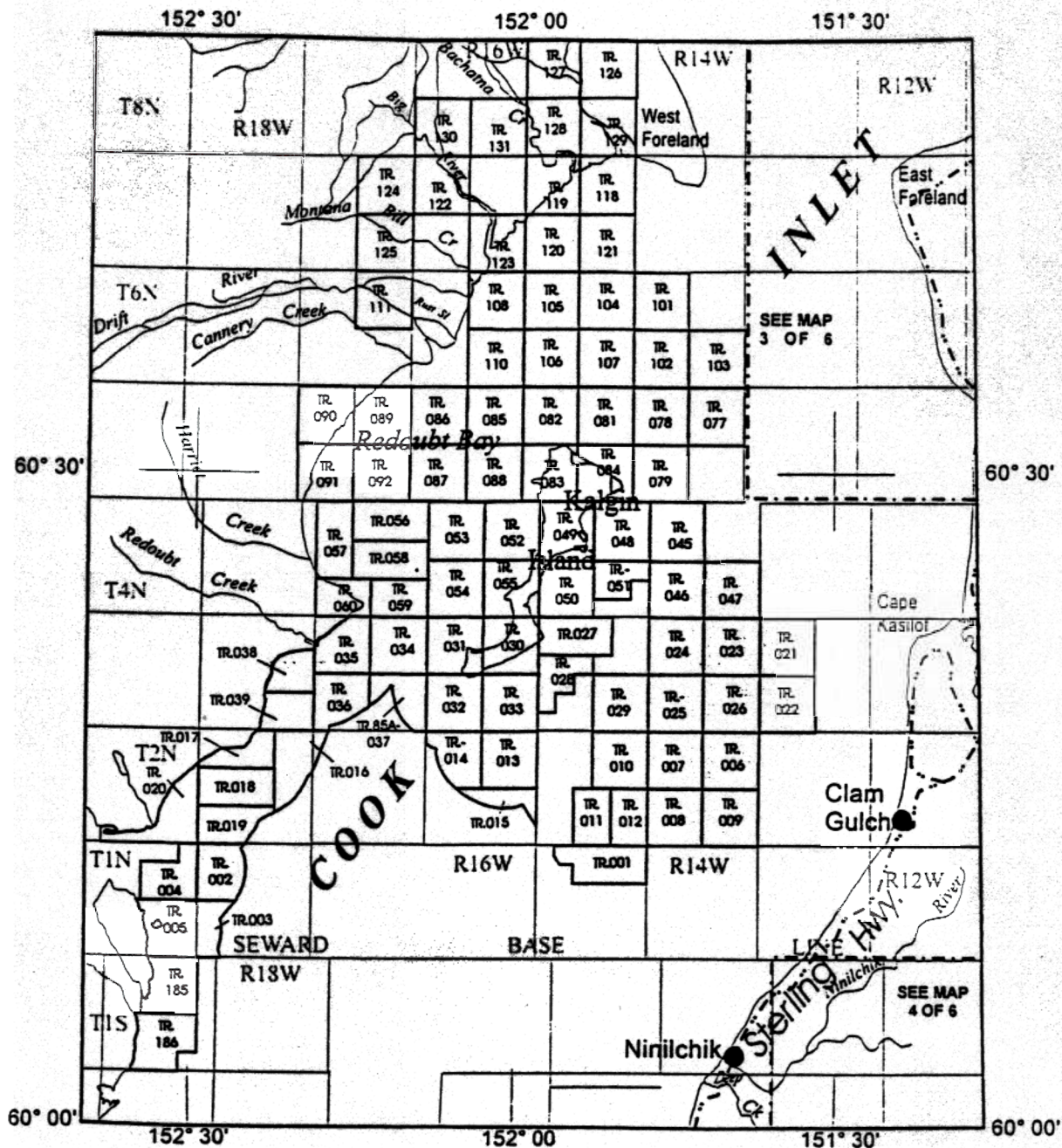
James Hansen

DATE APPROVED: 11/25/97

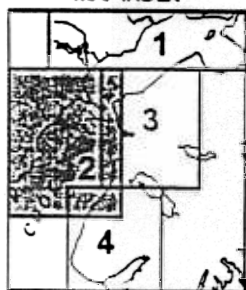
Albers Equal-Area Conic Projection
Based On The Clark 1866 Ellipsoid
Central Meridian: -150.00
Origin Latitude: 50.00

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FINAL SALE AREA MAP NO. 3 OF 4



MAP INDEX



STATE OF ALASKA DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL AND GAS OIL AND GAS LEASE SALE 85A-W COOK INLET REOFFER FINAL SALE AREA MAP

SCALE 1:570,000 ONE INCH EQUALS 9 MILES APPROX.

5 0 5 10 15 MILES

DIRECTOR, DIV. OF OIL & GAS

KENNETH A. BOYD *[Signature]*

PETROLEUM GEOPHYSICIST

JAMES HANSEN *[Signature]*

DRAWN BY:

O.D.S.

CHECKED BY:

[Signature]

DATE APPROVED: 11/25/97

Albers Equal-Area Conic Projection
Based On The Clark 1866 Ellipsoid
Central Meridian: -150.00
Origin Latitude: 50.00

NOTE: THIS MAP IS NOT AN OFFICIAL TRACT MAP. BUT IS FOR INFORMATIONAL PURPOSES ONLY. A SET OF OFFICIAL TRACT MAPS IS AVAILABLE AT THE DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL & GAS, 3601 C STREET, SUITE 1380, ANCHORAGE, ALASKA 99503 (907)-269-8805

FINAL SALE AREA MAP NO. 2 OF 4

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL AND GAS

3601 "C" STREET, SUITE 1380
ANCHORAGE, ALASKA 99503-5948
PHONE: (907) 269-8800

November 25, 1997

Phone: 269-8805

Instructions to Bidders

Oil and Gas Lease Sale 85A-W (Cook Inlet Re-offer)

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 the Department of Natural Resources.

In addition, no bid containing or accompanied by any condition, qualification or material alteration will be considered.

B. Pre-Qualification of Bidders

In order for bids for this sale to be accepted, bidders must be pre-qualified with the Division of Oil and Gas (DO&G) no later than 4:00 p.m., February 23, 1998. To pre-qualify the following information and documents must be on file at DO&G:

1. Individual

- a. In the case of a person, a signed and dated statement including the bidder's name, address, telephone number, and a certification that the bidder is of the age of majority; or

b. In the case of a guardian, trustee, or other legal representative of a person, a certified copy of the court order authorizing the representative to act in that capacity and to fulfill on behalf of the person all obligations arising under the lease and the representative's certification of the age of the person and the representative; or

c. In the case of an agent acting on behalf of an individual, an original or certified copy of a notarized power of attorney authorizing the agent to act on behalf of the individual.

2. Corporation

a. The current name, address, phone and fax numbers of the corporation;

b. A list of the individuals authorized to act on its behalf with respect to the bid;

c. An original or certified copy of a notarized power of attorney authorizing any agent who is not a current officer but who has been authorized by the corporation to act on its behalf with respect to the bid;

d. A 1998 Certificate of Compliance for a corporation qualified to do business in Alaska or, if qualifying to do business in Alaska and qualifying for a lease sale for the first time, either:

1. A Certificate of Authority for a foreign corporation qualified to do business in Alaska (a foreign corporation is a corporation incorporated outside Alaska), or

2. A Certificate of Incorporation for a domestic corporation qualified to do business in Alaska.

The Certificate of Compliance provides written proof that the corporation has paid all taxes, complied with all applicable laws and thus remains qualified to do business in the state. It remains the bidders responsibility to assure that the required certificate is filed with DO&G.

The required Alaska Certificate of Compliance, Certificate of Authority, or Certificate of Incorporation, must be requested from the Alaska Department of Commerce and Economic Development, (DC&ED). For information on obtaining a certificate write the DC&ED, Corporation Section, 3601 C Street, Suite 724, Anchorage, Alaska 99503 or call (907) 269-8140. Upon proper application, the DC&ED will issue the requested certificate. Please allow 3 weeks for the processing of the certificate.

3 Partnership, joint venture, or other unincorporated association

a. A statement describing the business relationship between the members of the association, joint venture or partnership; and

b. The documents required for individuals or corporations for each participant as appropriate.

To pre-qualify, the appropriate information and documents must be on file at DO&G. If current and accurate, material previously filed with these offices that satisfies all or part of the qualification requirements may be used by reference to the filing date of the previously filed material and by providing a statement as to any material changes or amendments. It remains the bidder's responsibility to assure that all pre-qualification requirements are fulfilled. Failure to provide DO&G with any of the above required documents or information may result in disqualification and the rejection of any bids submitted. For additional qualification information, please contact Judy Stanek of DO&G at (907) 269-8816.

C. Bid Submission

Bids will be received for this sale by the Director of DO&G or his authorized agent in Room 1380 (Thirteenth Floor) of the Frontier Building, 3601 "C" Street, Anchorage, Alaska, between the hours of 9:00 a.m. and 4:00 p.m. on February 23, 1998. Bids arriving prior to February 23, 1998 will be held by DO&G until 9:00 a.m. February 23, 1998 and will be officially received at that time. Bids that are mailed to the Director, DO&G, 3601 "C" St., The Frontier Building, Suite 1380, Anchorage, Alaska 99503-5948 must be received by the division no later than 4:00 p.m. February 23, 1998. Bids that are sent by a delivery service must be received by the division no later than 4:00 p.m., February 23, 1998, and must be addressed to: Director, DO&G, Frontier Building, Suite 1380, 3601 "C" Street, Anchorage, Alaska 99503-5948. **BIDS RECEIVED FOR THIS SALE AFTER 4:00 p.m., FEBRUARY 23, 1998, OR ON THE DAY OF THE SALE, FEBRUARY 24, 1998, WILL BE REJECTED.** Information regarding the bids will be held confidential until the day of the sale.

D. Form for Submission of Bids

1. Bids for Sale 85A-W must be executed on bid form #10-1201-85A-W, (revised 11/97) or an exact copy of the appropriate form.

2. Each bid must be submitted separately in a single envelope. The envelope should be marked, as appropriate:

"State of Alaska Competitive Oil and Gas Lease Sale 85A-W; not to be opened until 8:30 a.m., February 24, 1998; Tract #_____."

No other statements, information or identification should appear on the outside of the envelope.

3. Each bid must be submitted on the bid form required for the specific sale.
4. A separate bid must be submitted for each tract.
5. The bid form must be completely filled out. The bidder or the authorized representative designated to receive official notices on behalf of all bidders must state his or her name, company (if applicable), address and telephone number on the bid form. Bidders must also designate an individual to contact regarding the bid. All lease interest percentages must be represented by numbers with the fractional interest carried out to no more than five decimal places. No bids with the lease interest represented by fractions will be accepted unless the fraction can be expressed in decimals of no more than five digits without rounding off. The sum of the lease interest ownerships covered by this bid must be exactly 100.00000 percent.
6. Each bid must include either the total amount of the cash bonus bid or a bid deposit. All funds must be in U.S. dollars and must be tendered in cash or by bank draft, money order, cashier's check or certified check. A bid deposit must equal a minimum of 20% of the total cash bonus being offered for the tract. All checks, bank drafts or money orders must be made payable to the "Department of Revenue, State of Alaska." Checks may be drawn on any solvent bank in the United States.

Caution: All bid deposit calculations that result in sums containing fractions of less than one cent (\$.01) should be rounded upwards to ensure that a minimum of 20% of the total bid is being tendered.

Note: Personal checks will not be accepted. No bid for less than a full tract will be considered. Bid deposits for less than 20% of the total bonus bid for a tract, based on the discretion of the director, may not be accepted.

7. Under 11 AAC 82.430, joint bids must disclose, and the bid form must be signed by or on behalf of, each person or company which 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 or companies which 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 entities. 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.

Failure to comply with any of these requirements or procedures may result in the rejection of any deficient bid.

E. Bid Processing and Reading

Sale 85A-W is scheduled to be held on February 24, 1998, in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage. Bids for this sale will be processed in the following manner:

1. 8:30 a.m. - 10:00 a.m., Unadjudicated bids will be opened and read in public in the Wilda Marston Theater, in the Loussac Public Library, 3600 Denali Street, in Anchorage, Alaska.
2. 10:00 a.m. - 3:30 p.m., Bids will be adjudicated in the offices of the Division of Oil and Gas, in Suite #1380 of the Frontier Building, 3601 "C" Street, Anchorage Alaska.
3. 3:30 p.m., Preliminary Sale Results, including a list of the apparent high bidders, will be available to the public in the Department of Natural Resources' Public Information Center, located in Suite #200 of the Frontier Building, 3601 "C" Street, Anchorage, Alaska.

The opening and reading of bids is for the sole purpose of publicly announcing bids received. No bids will be officially accepted or rejected at this time.

F. Method of Handling Bid Deposits and Lease Awards

1. Bid deposits will be safeguarded against theft, misappropriation and loss. Receipt 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 3:30 p.m. to 4:00 p.m., February 24, 1998, and from 9:00 a.m. to 3:00 p.m. on February 25, 1998, in Room 1398, (Thirteenth Floor) of the Frontier Building, 3601 "C" Street, Anchorage, Alaska. Bid deposits which have not been retrieved by 3:00 p.m., February 25, 1998, will be returned to the bidder by mail according to the instructions for return of bid deposit shown on the bid form.

3. A bidder whose bid deposit for an apparent high bid is tendered by bank draft, money order, cashier's check or certified check drawn on a non-Alaska bank must wire transfer funds in the amount of such bid deposit to:

**State Street Bank and Trust Company
Boston, Massachusetts,
ABA #011000028
For credit to State of Alaska
General Investment Fund, AY01
Account # 00657189
Attn.: Kim Chan, Public Funds**

no later than the end of the business day for the State Street Bank and Trust Company, **February 26, 1998**. It is not necessary that separate wire transfers be made if more than one bid deposit is being transferred to the account.

If funds in the amount of such bid deposit are not received by wire transfer at the State Street Bank and Trust Company by the end of its business day, **February 26, 1998**, the bid will be considered in default and rejected. The defaulting bidder will forfeit the funds initially tendered by money order, bank draft, cashier's check or certified check as the initial bid deposit submitted with the defaulted bid.

If the apparent high bidder defaults then the next highest bidder, whose bid is acceptable to the commissioner ADNR, becomes the new apparent high bidder. This new apparent high bidder will be notified and given until the end of the business day for the State Street Bank and Trust Company, the next business day, to comply with the appropriate requirements of these instructions including wire transfer of an amount equal to 20% of the new apparent high bidder's bid. This process will continue from highest to lowest bids, until a responsive, acceptable bidder is determined or no bidder remains.

Each apparent high bidder, or bidding group, making a wire transfer to this account must, before the wire transfer, deliver to or facsimile transmit, the following information to the Alaska Department of Revenue, Treasury Division, Attn.: Debora Idone, Fax #(907) 465-4019, and the Department of Natural Resources, DO&G, Attn.: Pirtle Bates, Fax # (907) 563-0415:

- a. the total amount of the wire transfer;
- b. the amount of each bid deposit comprising the wire transfer;
- c. the tract number to which each bid deposit applies;
- d. the originating bank of the wire transfer; and
- e. the name of the bidder whose bid deposit is being wire transferred.

Upon notification of receipt of a wire transfer of funds, the money order(s), cashier's check(s) or certified check(s) for the bid deposit(s) corresponding to that wire transfer will be returned during regular business hours, the day of the wire transfer, in suite 1398 (Thirteenth Floor) of the Frontier Building, 3601 "C" Street, Anchorage, Alaska.

4. If a bid deposit for an apparent high bid is tendered in cash or by bank draft, certified check, cashier's check or money order drawn on an Alaska bank, the bidder will not be required to wire transfer federal funds for that bid deposit. Such checks will be presented on February 24, 1998, for payment in federal funds at the First National Bank of Anchorage.

5. Upon rejection by the State of Alaska of any apparent high bid which is not in default, the amount of the bid deposit for that bid will be returned by certified mail to the bidder at the address shown on the bid form.

6. Upon acceptance of a bid by the Commissioner of Natural Resources, the successful bidder will be notified of the lease award. The successful bidder will be sent by overnight or express mailing service two copies of the lease for signature. Within 30 days of the date that the successful bidder receives notification of the lease award, the bidder must:

- a. sign both copies of the lease;
- b. return both lease documents in their entirety to DO&G for execution;
- c. pay the balance of the cash bonus and accrued interest; and
- d. pay the first year annual rental;

Interest of 5.29% per annum (which is the market interest rate for 90-day U.S. Treasury Bills averaged for the week of November 17 through November 21, 1997) will be charged on the balance of the cash bonus accruing from the date following the successful bidder's receipt of the notification of the lease award up to and including the date of payment. Interest must 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:

State Street Bank and Trust Company
Boston, Massachusetts,
ABA #011000028
For credit to State of Alaska
General Investment Fund, AY01
Account # 00657189
Attn.: Kim Chan, Public Funds

The wire transfer should specify on whose behalf the payment is being made. 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.

If funds in the amount of the balance of the bonus bid are not received by wire transfer at the State Street Bank and Trust Company, or the lease documents are not received by DO&G within 30 days of the date that the bidder receives notification of the lease award, under 11 AAC 82.465 the bid will be in default and the amount deposited with the bid is forfeited to the state.

In addition, the successful bidder must, before the wire transfer, deliver to, or facsimile transmit the following information to the Alaska Department of Revenue, Treasury Division, Attn.: Debora Idone, Fax #(907) 465-4019, and the Department of Natural Resources, DO&G, Attn.: Pirtle Bates, Fax # (907) 563-0415:

- a. the Alaska Division of Lands (ADL) number assigned to each tract;
- b. amount of balance of cash bonus bid being paid per tract, interest on that balance and annual rental;
- c. name of the bidder whose funds are being wire transferred;
- d. originating bank of the wire transfer; and
- e. total amount of wire transfer.

For further information regarding wire transfers and computation of interest, please contact Debora Idone, Cash Manager, Treasury Division, Juneau, Alaska (907) 465-2360. For further information regarding Sale 85A-W please contact Joseph Joyner, DO&G, Anchorage, Alaska (907) 269-8805.