

## DEPARTMENT OF THE INTERIOR

### Bureau of Land Management

#### National Petroleum Reserve - Alaska, Oil and Gas Lease Sale 2004

**AGENCY:** Bureau of Land Management, Alaska State Office

**ACTION:** Detailed Statement of Sale

1. **Authority.** The Bureau of Land Management (BLM) is issuing this detailed statement of sale under the authority of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6501 et seq.), as amended; the Federal Lands Policy and Management Act of 1976 (43 U.S.C. 1701 et. seq.), as amended; and the regulations in Title 43 of the Code of Federal Regulations (CFR) Part 3130. Those regulations require that a Notice of Availability of this Detailed Statement must be published in the Federal Register at least 30 days prior to June 2, 2004, the scheduled date of sale.

The lands described in this statement are being offered for competitive oil and gas lease by sealed bid to the highest qualified bidder. The United States reserves the right to withdraw any tract from this sale prior to issuance of a written acceptance of a bid. Also reserved is the right to reject any and all bids received for any tract, regardless of the amount offered. A Locator Map and descriptions of tracts being offered are provided in Exhibits A and A-1 of this Detailed Statement of Sale.

The majority of tracts being offered in this sale are entirely within the Northwest NPR-A Planning Area, and are subject to stipulations established by the January 22, 2004 Record of Decision (ROD). These tracts are listed in Exhibit A. Standard stipulations applicable to all of these tracts are identified in Exhibit B-1, which also contains the language of site-specific stipulations. Tracts affected by the site-specific stipulations are identified in Exhibit A by reference to the applicable Exhibit B-1 paragraph designation, such as "K-1(h)". Tracts in the Northwest Planning Area are also subject to Required Operating Procedures (ROPs), as provided for in the ROD, for any activities occurring on those lands. See Exhibit C, Information to Lessees, for further details.

Twenty two tracts are sited along the Ikpikpuk River and are combinations of lands from both the Northwest NPR-A Planning Area and the Northeast NPR-A Planning Area. The east bank of the Ikpikpuk River is the boundary between these two areas. These combined tracts are listed in Exhibit A-1 as tracts 2004-D1 through 2004-D22.

The Northwest Planning Area portions of these tracts are subject to the same stipulations mentioned above, and the site-specific stipulations are designated by tract in the same manner in Exhibit A-1. The Northeast portions of these tracts are subject to standard and site-specific stipulations identified in the October 7, 1998 ROD for the Northeast NPR-A Planning Area and are identified in Exhibit B-2. The site-specific stipulations are identified by Roman numerals,

and may be cross-referenced to each applicable tract on Exhibit A-1 by the corresponding Roman numeral(s). Exhibit B-3 contains a complete listing of all Northeast Planning Area stipulations.

**2. Minimum Bid, Yearly Rental, and Royalty System.** The lands described herein are offered for competitive oil and gas lease sale by sealed bid to the qualified bidder submitting the highest cash bonus bid in accordance with the statutory and regulatory authorities cited above. The minimum bid, yearly rental, and royalty rate that apply to this sale are specified below.

The minimum bid amount stated below is the minimum amount acceptable to be considered a valid bid. To ensure that the Government receives fair market value for the conveyance of lease rights in this sale, each tract receiving a bid will be evaluated to determine its fair market value. Any bid which does not meet or exceed the fair market value may be rejected.

The following items apply to all leases issued in conjunction with this sale:

- Lease Primary Term: 10 years
- Tract Size: Variable, but most are ½ township (±11,520 acres).
- Minimum Bid: \$5.00 or more per acre or fraction thereof.
- Fixed Royalty Rate: 12.5 percent
- Rental Rate and Minimum Royalty: \$3.00 per acre or fraction thereof per year.

**3. Acreage and Land Status.** The acreage shown above is only a general approximation. The actual acreage for each tract is shown on Exhibit A or Exhibit A-1. The successful bidders will be advised of any required adjustments (additional payments or refunds) to the advanced rental payments prior to lease issuance. High bonus bids will be based on the highest bid per tract, and will not be affected by such acreage adjustments. Most of the tracts will be free of encumbrances, but some are affected by conveyances to the North Slope Borough, Native Villages, or Native Allottees, or by Air Navigation Sites or other surface ownership or uses which may restrict surface access.

**4. Split Estate Parcels.** The lessee will be responsible for negotiating any surface use and access issues with the surface owner or managing surface agency for split-estate lands. For Native Allotments, the lessee must also obtain approval from the Bureau of Indian Affairs. If a bidder wants to review the land status of particular tracts prior to bidding, details for obtaining the pertinent status plats is found at paragraph 9., below.

No surface occupancy will be allowed on split-estate lands (e.g. where the village corporation owns the surface and the federal government owns the subsurface) in and around Barrow and Atqasuk until the lessee has a surface use agreement with the appropriate village corporation or

surface owner.

For applicants bidding on tracts where no surface occupancy can be obtained, it will be the responsibility of the lessee to make appropriate arrangements with the BLM and the adjacent lessee in obtaining an easement for using an adjacent tract to establish a drilling pad. While the BLM has the sole authority to issue such an easement, coordination with the adjacent lessee is required to assure the easement does not materially interfere with that lessee's operations. The cost of the easement will be in addition to the costs of the bonus bid and rentals paid on the leased tract.

**5. Filing of Bids.** Bidders must comply with the following requirements. Times specified hereafter are local Anchorage, Alaska times unless otherwise indicated.

(a) No bid will be accepted for less than an entire tract as described in Exhibits A or A-1. For each tract bid upon, a bidder must submit a separate signed bid in a sealed envelope labeled "Sealed Bid for NPR-A Oil and Gas Lease Sale Tract No. 2004- (numeric or alpha-numeric designation, as appropriate), not to be opened until 8 a.m., Wednesday, June 2, 2004." The total amount bid must be in a whole dollar amount (U.S. dollars); any cent amount above the whole dollar will be ignored by the BLM. Details of the information required on the bid(s) and the bid envelope(s) are specified in the document "Bid Form and Envelope" contained in the Sale Notice Package as Exhibit D.

Each bid must be accompanied by a bid deposit of 1/5th the amount of the bonus bid amount in U.S. currency or by cashier's check, bank draft, or certified check, payable to the Department of the Interior, Bureau of Land Management. This deposit will be forfeited if a bidder, after being determined the highest qualified bidder, fails to sign the lease or otherwise comply with applicable regulations.

Bidders submitting joint bids must state on the bid form the proportionate interest of each participating bidder, in percent to a maximum of five decimal places, e.g., 33.33333 percent. The BLM may require bidders to submit other documents in accordance with 43 CFR Part 3130. The BLM warns bidders against violation of 18 U.S.C. 1860 prohibiting unlawful combination or intimidation of bidders. In accordance with 43 CFR Subpart 3132.5(b), "The United States reserves the right to reject any and all bids received for any tract, regardless of the amount offered."

Submission of a bid constitutes certification of compliance with the regulations found in 43 CFR Part 3130. Anyone seeking to acquire a Federal oil and gas lease may be required to submit additional information to show compliance with the regulations. A statement to this effect must be included on each bid (see the document "Bid Form and Envelope" contained in the Sale Notice Package as Exhibit D).

(b) Sealed bids must be received by the BLM Alaska State Office, 222 West 7<sup>th</sup> Avenue #13, Anchorage, Alaska 99513-7599, during normal business hours (8 a.m. to 3:45 p.m.) until the Bid Submission Deadline at 3:45 p.m., Friday, May 28, 2004. If bids are received later than the time and date specified above, they will be returned unopened to the bidders.

Bidders may not modify or withdraw their bids unless the BLM receives a written modification or written withdrawal request prior to 3:45 p.m. Friday, May 28, 2004.

(c) Bid Opening. Bid Opening Time will be 8 a.m., Wednesday, June 2, 2004, at the Wilda Marston Theatre in the Z. J. Loussac Public Library, 3600 Denali Street, Anchorage, Alaska. The opening of the bids is for the sole purpose of publicly announcing and recording the bids received, and no bids will be accepted or rejected at that time.

(d) Natural Disasters. In the event of a natural disaster, the Alaska State Office may extend the bid submission deadline. Bidders may call (907) 271-5960 for information about the possible extension of the bid submission deadline due to such an event.

**6. Deposit of Payment**. Any payments made in accordance with paragraph 3(b) above will be deposited by the Government in a non-interest-bearing account during the period the bids are being considered. Such a deposit does not constitute and shall not be construed as acceptance of any bid on behalf of the United States.

**7. Acceptance, Rejection, or Return of Bids**. No lease for any tract will be awarded to any bidder, unless:

(a) the bidder has complied with all requirements of this Detailed Statement of Sale, including the documents contained in the associated Sale Notice Package, and applicable regulations;

(b) the bid is the highest valid bid; and

(c) the amount of the bid has been determined by the authorized officer to be at or above fair market value.

No bid will be considered for acceptance unless it provides for a cash bonus as specified in paragraph 2 above. Any bid submitted which does not conform to the requirements of this Notice, the laws and regulations cited in paragraph 1 of this Notice, and other applicable regulations may be returned to the person submitting that bid by the BLM and not considered for acceptance.

**8. Successful Bidders**. The following requirements apply to successful bidders in this sale:

(a) Lease Issuance. The BLM will require each person who has submitted a bid accepted by the authorized officer to execute copies of lease Form AK-3130-1 (March 2002) shown as Exhibit G of this statement, pay the balance of the cash bonus bid along with the first year's annual rental for each lease issued in accordance with the requirements of 43 CFR Subpart 3132.3, and satisfy the bonding requirements of 43 CFR Subpart 3134.

(b) Who May Hold Leases. In accordance with 43 CFR 3132.1, leases issued may be

held only by the following:

- Citizens and nationals of the United States;
- Aliens lawfully admitted for permanent residence in the United States as defined in § U.S.C. 1101(a)(20);
- Private, public or municipal corporations organized under the laws of the United States or of any State or of the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, or any of its territories;
- or Associations of such citizens, nationals, resident aliens or private, public, or municipal corporations.

(c) **Bonding Requirements.** Prior to issuance of a lease, a surety or personal bond must be furnished to the authorized officer in the sum of \$100,000 conditioned on compliance with all the lease terms, including rentals and royalties, and stipulations. An individual lease bond will not be required if a bidder already maintains or furnishes an NPR-A - wide bond in the sum of \$300,000 conditioned on compliance with the terms, conditions, and stipulations of all oil and gas leases held by the bidder within the NPR-A, or maintains or furnishes a nationwide bond and furnishes a rider thereto sufficient to bring total coverage to \$300,000 and extending coverage to all of the bidder's oil and gas leases within the NPR-A. A copy of the bond form is included in the Sale Notice Package as Exhibit F.

## **9. Description of the Areas Offered for Bids.**

**Areas Available for Leasing.** Land status data regarding tracts offered for lease may be found on the official plats available for review or sale at \$1.10 each in the BLM Public Room, 1<sup>st</sup> Floor of the Federal Building, 222 W. 7th Avenue, #13, Anchorage, Alaska 99513-7599. These tracts are shown on the Locator Map of Exhibit A and are described in detail in Exhibit A (Northwest Area Tracts) or Exhibit A-1 (Combined-Area Tracts) of this Detailed Statement of Sale.

## **10. Lease Terms and Stipulations.**

(a) Leases resulting from this sale will have initial terms of 10 years. As noted above, a copy of the lease form is available as Exhibit G of this statement.

(b) The applicability of standard and special lease stipulations is explained in Exhibits B-1, B-2, and B-3. The text of these stipulations is found in Exhibits B-1 and B-3. The standard stipulations will become a part of all leases. The special stipulations affecting each tract are identified on Exhibits A or A-1 by alpha-numeric or Roman numeral identifiers corresponding to those shown on Exhibits B-1 or B-2, and will become a part of the leases for those tracts.

**11. Information to Lessees.** The Sale Notice Package contains a document titled "Information to Lessees" as Exhibit C. The Information to Lessees items provide information on various matters of interest to lessees and potential bidders.

**12. Detailed Statement of Sale.** Copies of this statement and the individual Exhibits contained therein, are available from the BLM Alaska State Office, either by written request or by telephone request at (907) 271-5960.

The documents referenced below are included in the statement and contain additional information essential for bidders. Bidders are charged with the knowledge contained therein. Included in the statement are the following Exhibits:

[\(Click on a title below to view the document\)](#)

- Exhibit A.** Locator Map and Description of Northwest Area Tracts Offered
- Exhibit A-1.** Description of Combined Planning Area Tracts Offered
- Exhibit B.** Supplemental Lease Terms Applicable to all leases issued in conjunction with this sale
- Exhibit B-1.** Northwest Planning Area Stipulations
- Exhibit B-2.** Site-specific Northeast Planning Area Stipulations and Identification and Explanation of Applicability of Standard Stipulations
- Exhibit B-3.** Actual Verbage of Lease Stipulations for Northeast Planning Area
- Exhibit C.** Information to Lessees
- Exhibit C-1.** Wording from Exhibit B of NW Plan ROD
- Exhibit D.** Bid Form and Envelope
- Exhibit E.** Bidder Contact Form
- Exhibit F.** Oil and Gas Lease Bond Form 3000-4 (This form may be used for lease, Statewide, Nationwide, or NPR-A-wide bonds.)
- Exhibit F-1.** Geophysical Exploration Rider Form for Use With NPR-A-wide bonds
- Exhibit G.** Lease Form AK-3130-1(March 2002)