

**-NOTICE-
STATE OF ALASKA**

COMPETITIVE GEOTHERMAL LEASE SALE 2 (Mt. Spurr)

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 geothermal leasing. Geothermal Sale 2 includes approximately 2,640 acres of state-owned lands on the west side of Cook Inlet, northwest of Trading Bay and approximately 40 miles west of Tyonek. The entire sale area is within the Kenai Peninsula Borough. Bidders awarded leases at this sale will acquire the right to explore for, develop and produce the geothermal resources that may be discovered within the leased area.

Tract Deletions

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

Bidding Method

The bidding method will be cash bonus bidding with a minimum bid of \$1 per acre and a fixed royalty of 10% of the gross revenues derived from the production, sale, or use of geothermal resources under the lease.

Length of Lease

The leases will be issued for a primary term of 10 years. The lease may be extended beyond the primary term as provided in paragraph 4, Extension and Renewal, of the lease form. The lease remains valid for the duration of commercial production.

Rental

Annual rental will be \$3.00 per acre, which may be credited against royalties, if any, accruing for that year.

Lease Form

Any lease issued as a result of this sale will be executed on Form DO&G-7-86 (GEOTHERMAL). Substantive changes to the prior geothermal lease form, DMEM-5-83, have been made in Paragraph 32, Local Hire, and Paragraph 39, Reduction of Rental and Royalty, of the new geothermal lease form DO&G-7-86. Copies of the geothermal lease form will be available on April 14, 1986 at the Division of Oil and Gas, 3601 C Street, in Anchorage or by writing DO&G at P.O. Box 7034, Anchorage, Alaska 99510-7043.

Stipulations and Mitigating Measures

AS 38.05.035(e) and the departmental delegation of authority give the Director, Division of Oil and Gas, the authority to impose conditions or limitations, in addition to those imposed by law, to ensure that a disposal best serves the interests of the state. To meet this requirement, the Director has developed environmental and social terms and conditions for tracts leased in Geothermal Sale 2. Lease stipulations will be enforced throughout the term of the lease. Measures also will be imposed through approval of plans of operations and other permits to mitigate undesirable social and environmental effects of lease related activities.

The stipulations and terms describe standards that must be met by the operators with regard to water quality and appropriation, gravel extraction, noise pollution, geothermal fluid spill prevention and cleanup, construction of roads, 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, geological hazard avoidance, and additional permits and approvals. These stipulations and terms are necessary to protect biological and archeological resources and mitigate social impacts in the sale area.

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. Surface entry will be restricted only as necessary to protect the holders of surface interests as shown on the departmental status plats or as necessary to protect identified surface resource values.

The Department of Natural Resources has determined that all water bodies within the sale area are neither public nor navigable. Easements, if necessary to ensure public access, will be reserved during the review of individual lease plans of operations.

Before beginning lease operations, a geothermal lease bond of \$10,000 per operation is required. In the alternative, a statewide geothermal lease bond of \$500,000 for operations conducted on more than one lease may be filed. These bonding provisions do not effect the Commissioner's authority to require additional unusual-risk bonds as may be necessary.

Bidding Procedures

Geothermal Sale 2 is scheduled for May 20, 1986 at the Anchorage Hilton Hotel, 3rd & E Street, in Anchorage. Bids will be received and processed on May 20 in the following manner:

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

State of Alaska Competitive Geothermal Lease sale 2 will be held in conjunction with State of Alaska Competitive Oil and Gas Lease Sale 49. Bids for the 2 geothermal tracts will be announced first, followed by the bids for the 269 oil and gas tracts.

Bids also will be accepted from 9 a.m. to 4 p.m. on May 19, 1986 in Room 1398 (13th floor) of the Frontier Building, 3601 C Street, Anchorage, Alaska.

Bids that are sent by mail must be sent to: Director, DO&G, P.O. Box 7034, Anchorage, Alaska 99510-7034, and must be received by May 19, 1986. Bids that are sent by Federal Express, DHL, or any other delivery service must be received by May 19, 1986 and should be addressed to: Director, DO&G, Room 1380, Frontier Building, 3601 C Street, Anchorage, Alaska. The envelope containing the bid should be marked "State of Alaska Competitive Geothermal Lease Sale 2, not to be opened until 9:00 a.m., May 20, 1986; Tract # _____."

In order to bid at the sale, bidders must prequalify prior to the sale date. Potential bidders should consult DO&G for prequalification procedures.

Under 11 AAC 82.445, a bid will not be considered unless supported by the bid deposit and the information required, unless any omission is determined by the Commissioner to be immaterial or due to excusable inadvertence and the omission is corrected within one week after receipt of a notice of deficiency.

Additional Information

In support of the lease sale, the Director of the Division of Oil and Gas has prepared a final written finding under AS 38.05.035(e) which sets forth the facts and applicable law upon which she has determined that the proposed action will best serve the interests of the state. The Director's written finding and decision will be available on or after April 14, 1986 at the Division of Oil and Gas, 3601 C Street in Anchorage or by writing DO&G at P.O. Box 7034, Anchorage, Alaska 99510-7034. Additional information on the proposed sale is available to bidders and the public at DO&G. Effective January 1, 1986 the cost of each set of tract maps is \$50.00. Please make checks payable to: Department of Revenue, State of Alaska.

Kay Brown, director
Division of Oil and Gas
0665b



Don't Gamble!

**ALASKA
PRINTING
INC.**

516 West Fireweed Lane • Anchorage, Alaska 99503 • (907) 272-6219