
Leasing Activities Information



U.S. Department of the Interior
Minerals Management Service
Alaska OCS Region

Notice of Sale Cook Inlet Oil and Gas Lease Sale 191

Enclosed is the Final Notice of Sale for Sale 191 Package (FNOS 191 Package), Cook Inlet, to be held on May 19, 2004, in Anchorage, Alaska.

In addition to the FNOS 191, this Package consists of:

- Lease Stipulations and Information to Lessees for Oil and Gas Lease Sale 191
- Royalty Suspension Provisions for Sale 191
- List of Blocks Available for Leasing for Lease Sale 191
- Nonprocurement Debarment and Suspension Notice of Regulatory Changes
- Bid Form and Envelope
- Telephone Numbers/Addresses of Bidders Form
- Instructions for Making EFT Bonus Payments

All of these documents may be found on the Internet at: <http://www.mms.gov/alaska>.



Please Note: Terms and conditions for Sale 191 include the following:

The stipulations (mitigating measures) for Sale 191 are similar to those used in Lease Sale 149, our most recent sale in Cook Inlet. Those measures were analyzed and modified as a result of scoping for the EIS for Sales 191 and 199.

Stipulations: There are four stipulations that will apply to leases resulting from this sale:

- Stipulation No. 1 – Protection of Fisheries
- Stipulation No. 2. – Protection of Biological Resources
- Stipulation No. 3 – Orientation Program
- Stipulation No. 4 – Transportation of Hydrocarbons.

Information to Lessees: There are nine items under the Information to Lessees that involve information not covered by the lease sale notice, the lease stipulations, or existing Notices to Lessees (NTLs) and regulations:

- a. Bird and Marine Mammal Protection
- b. Endangered and Threatened Species
- c. Sensitive Areas to be Considered in Oil-Spill-Response Plans
- d. Oil-Spill-Response Preparedness
- e. Fluids and Cuttings Discharge During Lease Activities

- f. Air-Quality Regulations and Standards
- g. Coastal Zone Management
- h. Navigation Safety
- i. Offshore Pipelines

Minimum Bonus Bid Amount: The blocks offered in Sale 191 have a minimum cash bonus bid amount of \$25 per hectare, or fraction thereof. This reflects a decrease from the last sale in Cook Inlet (Sale 149). That sale offered blocks with a minimum bid amount of \$62 per hectare. The MMS examined incentives to attract more interest in the Alaska OCS program and has determined that for Sale 191 the \$25 per hectare amount is appropriate.

Rentals/Minimum Royalties/Royalty Suspension Provisions: The blocks offered in Sale 191 have a yearly rental rate of \$5 per hectare or fraction thereof, to be paid on or before the first day of each lease year until a discovery of oil or gas, then at a rate of \$13 per hectare or fraction thereof payable on or before the last day of each lease year in any full lease year in which royalties on production are not due. This provision is applicable to all leases included in an approved unit where one or more of the unitized leases has a discovery. This rate has been reduced for Sale 191 as part of the economic incentives effort. In the recent past the rental rate was \$13 per hectare. The single rate of \$5 per hectare is appropriate for leases in the Cook Inlet prior to a discovery based on the location of the blocks being offered and lack of infrastructure on the Cook Inlet OCS. Our regulations at 30 CFR 218.151 provide for the collection of rentals on a lease until the start of royalty-bearing production. Thus, the rental of \$5 per hectare or fraction thereof is paid until a discovery in paying quantities of oil and gas. Then, a rental of \$13 per hectare or fraction thereof will apply until the lease has royalty bearing production.

A royalty rate of 12 1/2 percent for all blocks. This is the royalty rate that has been used in the Alaska OCS Region for many years. We are not proposing a change in this rate. However, in an effort to encourage leasing, exploration and development activities MMS has completed an analysis of royalty suspension volumes for the Cook Inlet Planning Area. Please see the Royalty Suspension Provisions for Sale 191 Oil and Gas Production included in this package.

Changes to Nonprocurement Debarment and Suspension Provisions. Effective November 26, 2003, regulatory changes to the Federal nonprocurement debarment and suspension regulations with certification requirements under 43 CFR Parts 12 and 18 which affect the policies and procedures MMS must use in taking suspension or debarment actions. This regulatory change also established mandatory requirements and responsibilities for participants when entering covered transactions. Potential participants in Cook Inlet Sale 191 do not need to submit certifications for debarment, suspension, and other responsibility matters. Under the new rule, before entering into a primary covered transaction and as a condition of participation in the transaction, participants must state that they are in compliance with the U.S. Department of the Interior's non-procurement debarment and suspension regulations as found under (43 CFR part 42, subpart C). We have provided you with a notice and brief explanation about the new debarment rules. We have incorporated a statement on the suggested bid form (contained in this package). Participants are responsible for compliance and should consult the entire text of the regulations.

Notices to Lessees (NTL's)

Electronic Funds Transfer (EFT) Payments: The 1/5th bonus bid deposits for successful bids will be due by 1:00 P.M. Eastern Time the day following bid reading. In addition, certain bid submitters (i.e., those that do NOT currently own or operate an OCS mineral lease OR those that have ever defaulted on a 1/5th bonus payment [EFT or otherwise]) will be required to guarantee (secure) their 1/5th bonus payment **prior** to the submission of bids. Also, when paying the 4/5th bonus and rental payments, it is requested that only one transaction be used. Please refer to Instructions for Making EFT Bonus Payments.



Statistical Information – Sale 191

Size of Area Offered: Approximately 2.5 million hectares (approximately 1 million acres) comprised of approximately 517 whole and partial blocks

Range of Water Depths: Approximately 30 feet to 650 feet (extending from 3 miles to approximately 30 miles offshore (from below Kalgin Island south to approximately Shuyak Island) and to water depths more than 650 feet)

Range of Distance from Shore: Approximately 3 miles to 30 nautical miles (from below Kalgin Island south to approximately Shuyak Island)

Initial Period of Leases: 8 years

Royalty Rate: 12 ½ percent applies to all blocks

For more information on the materials included in this package, please contact Mr. Tom Warren at (907) 271-6691 or Ms. Phyllis Casey at (907) 271-6697 of the Alaska OCS Region Leasing Activities Section.