
Leasing Activities Information



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

Notice of Sale Beaufort Sea Oil and Gas Lease Sale 202

Enclosed is the Final Notice of Sale for Sale 202 (FNOS 202), Beaufort Sea, scheduled to be held on April 18, 2007, in Anchorage, Alaska.

In addition to the FNOS 202, this package consists of:

- Lease Stipulations for Oil and Gas Lease Sale 202
- Royalty Suspension Provisions for Oil and Gas Lease Sale 202
- Information to Lessees for Oil and Gas Lease Sale 202
- List of Blocks Available for Leasing for Oil and Gas Lease Sale 202
- Bid Form and Envelope
- Telephone Numbers/Addresses of Bidders Form
- Instructions for Making EFT Bonus Payments
- Locator Map Beaufort Sea Sale 202 (January 2007)

All of the documents listed above are available from the MMS Alaska OCS Region's Public Information Office; telephone 1-800-764-2627 or email akwebmaster@mms.gov.

All documents also may be found on the MMS website at: <http://www.mms.gov/alaska>.



Please Note: Terms and conditions for Sale 202 include the following:

Debarment and Suspension (Nonprocurement) Compliance

Bidders must comply with all of the provisions set forth in the Final Notice of Sale and with all applicable regulations including compliance with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations (43 CFR part 42, subpart C, effective November 26, 2003). Bidders may not become a lessee or acquire an interest in a Federal lease if presently excluded or disqualified (as described in 43 CFR 42.335) from participating in transactions covered by the nonprocurement suspension and debarment system requirements, unless MMS grants an exception that permits participation in that particular covered transaction as required under 43 CFR 42.405 and 42.120.

Also, in accordance with the U.S. Department of the Interior's nonprocurement debarment and suspension regulations, an Addendum will be attached to and become part of each lease instrument (Form MMS-2005 (March 1986) as amended) that is issued as a result of this lease sale. Specific language is prescribed and included in the Addendum to modify the lease terms by requiring the lessee's compliance with all applicable debarment and suspension (nonprocurement) regulations as a condition to enter into the lease transaction. The lessee must communicate the requirements to comply with the U. S. Department of the

Interior's debarment and suspension (nonprocurement) regulations to other persons with whom the lessee does business as it relates to the lease by including a term or condition in contracts and other covered transactions requiring their compliance with the debarment and suspension (nonprocurement) regulations and which requires them to include a similar term or condition in each of their contracts and other lower-tier covered transactions.

Lease Stipulations

There are seven stipulations which will be made a part of leases resulting from this sale. Bidders should note that Stipulation No. 4 – Industry Site-Specific Bowhead Whale Monitoring Program is applicable to specific blocks during specified time frames. In addition to stipulations applied to leases issued in previous Beaufort Sea OCS sales, two new stipulations are applicable to leases issued as a result of this sale: Stipulation No. 6 – Pre-Booming Requirements for Fuel Transfers and Stipulation No. 7 – Lighting of Lease Structures to Minimize Effects to Spectacled and Steller's Eiders. Please refer to the Lease Stipulations information page.

Information to Lessees (ITLs):

There are 27 ITLs which advise and provide further guidance to potential lessees on additional regulatory and stipulated requirements pertinent to the leased area. Based on new information, the ITL for Polar Bear Interaction that was included in Sales 186 and 195 has been replaced with the *Planning for Protection of Polar Bears* that states in part that lessees are advised to consult with the FWS and local Native communities while planning their activities and before submission of their Oil-Spill Response Plans. Polar bears were added to the list of species, included in the ITL "*Bird and Marine Mammal Protection*," that have been proposed for listing under the Endangered Species Act. The ITL "*Sensitive Areas To Be Considered in the Oil-Spill Response Plans*" was amended to note, in part, that coastal aggregations of polar bears during the open water/broken ice period are particularly vulnerable to the effects of an oil spill and that lessees should take this information into account when developing their OSRP's. Also, a new ITL, *Possible Listing of Polar Bear under ESA*, was added advising lessees that FWS may list polar bears as threatened species under the Endangered Species Act, and that MMS may be required to apply additional mitigation measures on OCS activities should FWS decide to list them. All other ITLs were included in Sales 186 and 195.

Bonding Requirements

The regulations at 30 CFR 256.58, "Termination of the period of Liability and cancellation of a bond" were amended on December 3, 2001, and became effective on January 2, 2002. Please see paragraph (z) in the Information to Lessees document.

Electronic Funds Transfer (EFT) Payments

Bidders are reminded that 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.

Minimum Bonus Bid Amounts: The blocks offered in Sale 202 have been subdivided into two zones. Zone A is the area that is nearest to existing infrastructure, Zone B is more distant. The minimum bid amount for blocks in Zone A is \$37.50 per hectare, or fraction thereof. For blocks in Zone B, the minimum bid amount is \$25 per hectare, or fraction thereof.

Rentals/Minimum Royalties/Royalty Suspension Provisions: The timing of when rental versus minimum royalty is due has been recently revised. The revised requirement is contained in the Notice of Sale.

Royalty suspensions apply to all blocks in the sale area. Royalty suspensions are prorated by lease acreage and subject to price thresholds. Refer to the paper on Royalty Suspension Provisions included in the Notice of Sale package. All leases resulting from this sale will include an Addendum to modify Section 4, 5, and 6 of the lease instrument to implement these revisions and to address royalty suspension provisions. The minimum royalty rate is \$13 per hectare, or fraction thereof, due at the expiration of each lease year which commences after a discovery of oil and gas in paying quantities and until the start of royalty-bearing production.

Annual rentals are due on or before the first day of each lease year as shown in the table included in the Final Notice of Sale. Bidders are advised that Zone A and Zone B have different rental rates and are lower in the early years and rise in later years.

MMS Inspection and Enforcement of Certain Coast Guard Regulations: On February 7, 2002, the Coast Guard published in the *Federal Register* (67 FR 5912) a final rule authorizing "... MMS to perform inspections on fixed Outer Continental Shelf facilities engaged in OCS activities" Bidders are referred to paragraph (w) of the Information to Lessees document.



Statistical Information – Sale 202

Size of Area Offered: Approximately 8.7 million acres comprised of approximately 1654 whole and partial blocks

Range of Water Depths: Approximately 25 feet to 3,000 feet (approximately 99% of the sale area is less than 200 feet deep, a small portion of the outer limits of the sale area north of Harrison Bay drops to approximately 3,000 feet)

Range of Distance from Shore: 3 miles to approximately 60 nautical miles

Initial Period of Leases: 10 years.

Royalty Rate: 12 ½ percent applies to all blocks

For more information on the materials included in this package, please contact Mr. Fred King at (907) 334-5271 or Mr. Steve Flippen at (907) 334-5268 of the Alaska OCS Region Leasing Activities Section.