

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

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September 29, 2008

**NOTICE OF ISSUANCE OF THE
PRELIMINARY BEST INTEREST FINDING AND THE
ALASKA COASTAL MANAGEMENT PROGRAM CONSISTENCY ANALYSIS
FOR THE PROPOSED
COOK INLET AREAWIDE OIL AND GAS LEASE SALE**

The Alaska Department of Natural Resources (ADNR), Division of Oil and Gas (DO&G), gives notice under AS 38.05.945(a)(3)(A) that it has issued the Preliminary Best Interest Finding required by AS 38.05.035(e)(5)(A) for the Proposed Cook Inlet Areawide Oil and Gas Lease Sale 2009.

The last best interest finding for the Cook Inlet Areawide Oil and Gas Lease Sale was issued January 20, 1999. Supplements to the finding were issued on May 20, 2000, February 18, 2004, February 21, 2007, and February 4, 2008. The 1999 finding is valid for lease sales held through 2008. This Preliminary Best Interest Finding addresses Cook Inlet Areawide Oil and Gas Lease Sales from 2009-2018. Once a finding has been written for an areawide sale, ADNR can conduct a lease sale in that same area each year for up to 10 years without repeating the entire finding process. However, annually, before holding a sale, DO&G must determine whether a supplement to the finding is required.

To determine whether this proposed sale should be conducted, the Director of DO&G (Director) is required to make a final finding that the sale is in the best interests of the state. To facilitate this, DO&G collected agency comments and socio-economic and environmental information to consider the potential effects of the proposed areawide lease sale. The information was used to prepare this written preliminary finding.

In this preliminary finding, the Director establishes the scope of the administrative review for the proposed sale; considers and discusses certain important facts and issues determined to be material as required by AS 38.05.035(e)(1) and (g); and sets out the law, regulations, and applicable policies upon which the Director will base his final determination. The Director also includes proposed mitigation measures and lessee advisories considered necessary to avoid or minimize possible adverse impacts of the proposed sale. Accompanying this preliminary finding is DO&G's analysis of the sale's consistency with the Alaska Coastal Management Program (ACMP) under AS 46.40, including the local districts' Coastal Management Plans.

PUBLIC COMMENT

DO&G invites the public to comment on any aspect of the sale, including the Preliminary Best Interest Finding and the ACMP Consistency Analysis. Comments on the ACMP Consistency Analysis should either be submitted separately or be grouped under a different heading from comments on the Preliminary Best Interest Finding. Comments may be mailed to: Division of Oil and Gas, 550 W. 7th Ave., Suite 800, Anchorage, Alaska, 99501, Attention: Greg Curney; or faxed to (907) 269-8938; or e-mailed to greg.curney@alaska.gov. **Comments must be received no later than December 1, 2008** to be considered in the final best interest finding and the ACMP consistency determination for this sale.

The documents are available on DO&G's web-site at www.dog.dnr.state.ak.us. A limited number of hard copies of both the Preliminary Best Interest Finding and the ACMP Consistency Analysis are also available. Contact Greg Curney at (907) 375-8237. Hard copies of the documents will be available for public review at the following locations: public libraries in Palmer, Wasilla, Kenai, Ninilchik, Homer, Soldotna, Anchor Point and Seldovia; the Loussac Public Library in Anchorage; and the Alaska State Library System.

“Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans.”

SALE AREA DESCRIPTION

The proposed Cook Inlet lease sale area consists of all state-owned uplands located in the Matanuska and Susitna river valleys generally south and west of Houston and Wasilla, the Anchorage Bowl, the western and southern Kenai Peninsula from Point Possession to Anchor Point, and the western shore of Cook Inlet from the Beluga River to Harriet Point. The lease sale area also includes all state-owned tide and submerged lands in upper Cook Inlet from Knik Arm and Turnagain Arm south to Anchor Point and Tuxedni Bay. The area is bounded on the east by the Chugach and Kenai mountains and on the west by the Aleutian Range. The area is about 4.2 million acres and is divided into 815 tracts ranging from 640 to 5,760 acres. The exact amounts of net leaseable acreage will only be determined for areas for which the state receives bids in the proposed sale. At that time, DO&G will complete a comprehensive title evaluation of the lands within the tracts that receive bids to determine which lands are available for lease. Acreage not owned by the state, already subject to an oil and gas lease, or clouded by title claims will be excluded from the tract area. Only those lands free and unencumbered will be included in any lease issued.

The proposed Cook Inlet Areawide lease sale area falls within the Matanuska-Susitna Borough, the Municipality of Anchorage, and the Kenai Peninsula Borough. The area includes about thirty cities, towns, villages and communities, ranging in population from a few hundred to almost 300,000.

MAP

A map of the proposed lease area is available on DO&G's web-site at www.dog.dnr.state.ak.us and in the Preliminary Best Interest Finding.

PUBLIC HEARINGS

ADNR will conduct a series of public hearings regarding this proposed sale at various locations, tentatively planned for October and November 2008. The dates, times and locations of the public hearings will be announced.

FINAL BEST INTEREST FINDING

DO&G anticipates issuing the final best interest finding in January 2009. Under AS 38.05.035(i), only those persons whom the final finding affects and who have meaningfully participated in the best interest finding process, through written comment or oral testimony at a public hearing, are eligible to file an administrative appeal or request for reconsideration of the final decision. Further, under AS 38.05.035(l), only those persons who have exhausted their administrative rights by requesting reconsideration have standing to appeal the final best interest finding to the Alaska Superior Court.

ACMP PROCESS

DO&G is issuing an ACMP Consistency Analysis concurrently with the Preliminary Best Interest Finding. Members of the public, government agencies, environmental organizations, industry, and other interested parties are invited to comment in writing on any part of this consistency analysis. Comments about inconsistency must identify the relevant enforceable policy and explain how the proposed Cook Inlet Areawide oil and gas lease sale is not consistent with that policy. (11 AAC 110.510(b).) The final ACMP consistency determination will be made available concurrently with the final best interest finding, currently scheduled to be issued in January 2009.

ALTERNATIVE COMMUNICATION FORMATS

DO&G complies with Title II of the Americans with Disabilities Act of 1990. This publication can be made available in an alternative communication format upon request. Please contact Greg Curney at (907) 375-8237 to make any necessary arrangements.

A handwritten signature in blue ink that reads "Kevin R. Banks". The signature is written in a cursive style with a large initial 'K' and a long, sweeping underline.

Kevin R. Banks
Acting Director

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