

## **Lease Sales**

Alaska's land is divided up into individual leases that are put up for competitive bidding by qualified companies

Area-wide leasing occurs every year for: North Slope, Beaufort Sea, North Slope Foothills, Cook Inlet, and the Alaska Peninsula

## **Leases**

Each lease issued contains a primary term

The primary term entitles the winning bidder to explore the lease for up to 10 years

A lease may be extended beyond its primary term if the lease is in production; a lease may also be extended beyond its primary term if it is included in a unit

If, at the end of the primary term, the lease does not have a certified well, it reverts back to the State of Alaska for inclusion in the next area-wide lease sale and gets a new lease number

## **Units**

A unit is a group of leases covering all or part of one or more hydrocarbon accumulations, or all or part of one or more adjacent or vertically separate oil or gas reservoirs subject to unit agreement

Units may be formed by the (1) Division of Oil and Gas, (2) the Alaska Oil and Gas Conservation Commission, or (3) the federal government

The purpose of unitization is to provide for efficient development of a reservoir without regard to lease boundaries

The unit operator submits a Plan of Development (POD) or, in some cases, a Plan of Exploration (POE) that runs in parallel with the POD

There is no distinction in state law between a production unit and an exploration unit

The unit expires at the end of 5 years unless (1) it's in production, (2) it has a certified well and approved POE/POD, or (3) upon the finding of the Commissioner of Natural Resources

If the unit terminates, leases that are beyond their primary term revert back to the State of Alaska for inclusion in the next area-wide lease sale and gets a new lease number

**Participating Areas**

A Participating Area (PA) is formed when the operator has delineated a reservoir and is ready for "sustained unit production"

The operator has to make a showing that the area proposed for the PA is capable of producing in "paying quantities"

A PA is usually a smaller area than the unit boundary

A unit may contain more than one PA

After a stated period of time, the unit area automatically contracts down to the participating area(s); leases not contained in the PA(s) revert back to the State of Alaska for inclusion in the next area-wide lease sale and gets a new lease number