

EXPLORATION LICENSING

Exploration Licensing supplements the state's oil and gas leasing program and encourages oil and gas exploration within remote areas of the state outside of the known oil and gas provinces -- the North Slope, Beaufort Sea, Cook Inlet, and Alaska Peninsula. The holder of an exploration license has the exclusive right to explore an area between 10,000 and 500,000 acres in size for a term of up to 10 years. Rather than an up-front bonus payment to the state, as is done in conventional leasing, a licensee must commit direct expenditures for exploration. If there is competition for a license, the party committing the most dollars to exploration is granted a license. Since there are no annual rental payments for a license, the only money guaranteed the state is a \$1 per acre licensing fee, which is paid upon acceptance. The state is, however, provided all of the geological and geophysical information acquired by the licensee, and so can gain a better understanding of an area's resource potential.

Once the work commitment is met, the licensee may convert all or a portion of the license area into oil and gas leases. Upon conversion, the lessee begins paying the state annual rental fees of \$3 per acre. Should exploration lead to development and production, the state is entitled to a royalty share that cannot be less than 12-1/2 percent.

Five-Year Licensing Program

The department will accept all proposals for consideration that are submitted during the month of April of each year, as specified in 11 AAC 82.909. Areas not eligible for licensing are specified in AS 38.05.131.

LICENSES IN EFFECT

<u>Location</u>	<u>Licensee</u>	<u>Acres</u>	<u>Work Commitment</u>	<u>Effective Date</u>	<u>Term</u>
Nenana Basin	Andex Resources	482,942	\$2,525,000	10/1/2002	7 Yrs
Susitna Basin No. 1	Forest Oil Corp.	386,207	\$2,520,000	11/1/2003	7 Yrs
Susitna Basin No. 2	Forest Oil Corp.	471,474	\$3,000,000	11/1/2003	7 Yrs

LICENSES PROPOSED

<u>Location</u>	<u>Licensee</u>	<u>Acres</u>	<u>Work Commitment</u>	<u>Effective Date</u>	<u>Term</u>
Holitna Basin	Holitna Energy, LLC	26,880	\$1 per acre	TBD	3 Yrs
Healy Basin	Usibelli Coal Mine Co.	208,630	\$500,000	TBD	10 Yrs

