

STATE OF ALASKA

Department of Natural Resources

Division of Oil and Gas

Tony Knowles, Governor

550 W. 7th Ave., SUITE 800
ANCHORAGE, ALASKA 99501

August 22, 2002

Phone: 269-8804

NOTICE OF NENANA BASIN OIL & GAS EXPLORATION LICENSE

The Department of Natural Resources (DNR) gives notice under AS 38.05.945(a)(4), that it will issue an Oil and Gas Exploration License for the Nenana basin to Andex Resources, L.L.C., with offices in Denver and Houston. The exploration license contains 482,942 acres and is located west of the Parks Highway, extending from Anderson to approximately 8 miles south of Minto. Only lands for which the state owns the mineral estate are included. Exploration activities resulting from this offering may affect the communities of Fairbanks, Nenana, Anderson and Minto.

Licensing Fee

The licensee must pay a licensing fee of \$1 per acre.

Length of License

The license will have a primary term of seven (7) years.

Work Commitment

The licensee must agree to a work commitment of \$2,525,000.

Conversion to Lease

Upon completion of the work commitment, the licensee may convert all or a portion of the license area into oil and gas leases, which will have a primary term of seven (7) years.

Rental

There is no annual rental fee for an exploration license. Upon conversion to oil and gas leases, an annual rental of \$3.00 per acre is required.

Royalty

Lands converted to oil and gas leases have a fixed royalty of twelve and one-half (12.5) percent.

Lease Forms

Leases will be executed on Form No. DO&G 2002-01A (Nenana Basin Oil and Gas Exploration License Conversion Lease).

Bonding

Before commencement of operations, an oil and gas bond of a minimum of \$10,000 per operation is required under 11 AAC 83.160. As an alternative, a statewide oil and gas bond of a minimum of

\$500,000 for multiple operations may be filed. These bonding provisions do not affect the commissioner's authority to require additional unusual-risk bonds. In addition, the Alaska Oil and Gas Conservation Commission (AOGCC) requires a bond of at least \$100,000 for a single well or a bond of at least \$200,000 to cover wells statewide before drilling operations will be permitted by AOGCC. The Department of Environmental Conservation (DEC) has its own bonding requirements.

Best Interest Finding

In support of the Nenana Basin Exploration License, on August 22, 2002 the Director, DO&G, issued a final finding and decision under AS 38.05.035(e) and (g), which has the commissioner's concurrence. This finding sets forth the facts, policies, and applicable laws upon which the determination was made.

The finding, with a 1:250,000 map of the license area, is available on the division's Website at: www.dog.dnr.state.ak.us/oil. Copies of the finding and map are available at the following locations:

Loussac Public Library in Anchorage	Minto School Library
Noel Wien Library in Fairbanks	Tri-Valley School/Community Library in Healy
Anderson School/Village Library	Nenana Public library

Copies may also be obtained from the Division of Oil and Gas; 550 West 7th Avenue, Suite 800; Anchorage, Alaska 99501. To order, call Pam Rogers at (907) 269-8806.

Stipulations and Mitigation Measures

AS 38.05.035(e) and the departmental delegation of authority provide the director, DO&G, with the authority to impose conditions or limitations in addition to those imposed by law to ensure that the disposal best serves the interests of the state. To meet this requirement, the director has adopted Mitigation Measures that impose standards of conduct that must be met. These measures are deemed necessary to protect biological, cultural and archeological resources as well as to mitigate social impacts. These measures will be enforced throughout the license period and the term of any oil and gas leases.

Reconsideration and Appeal

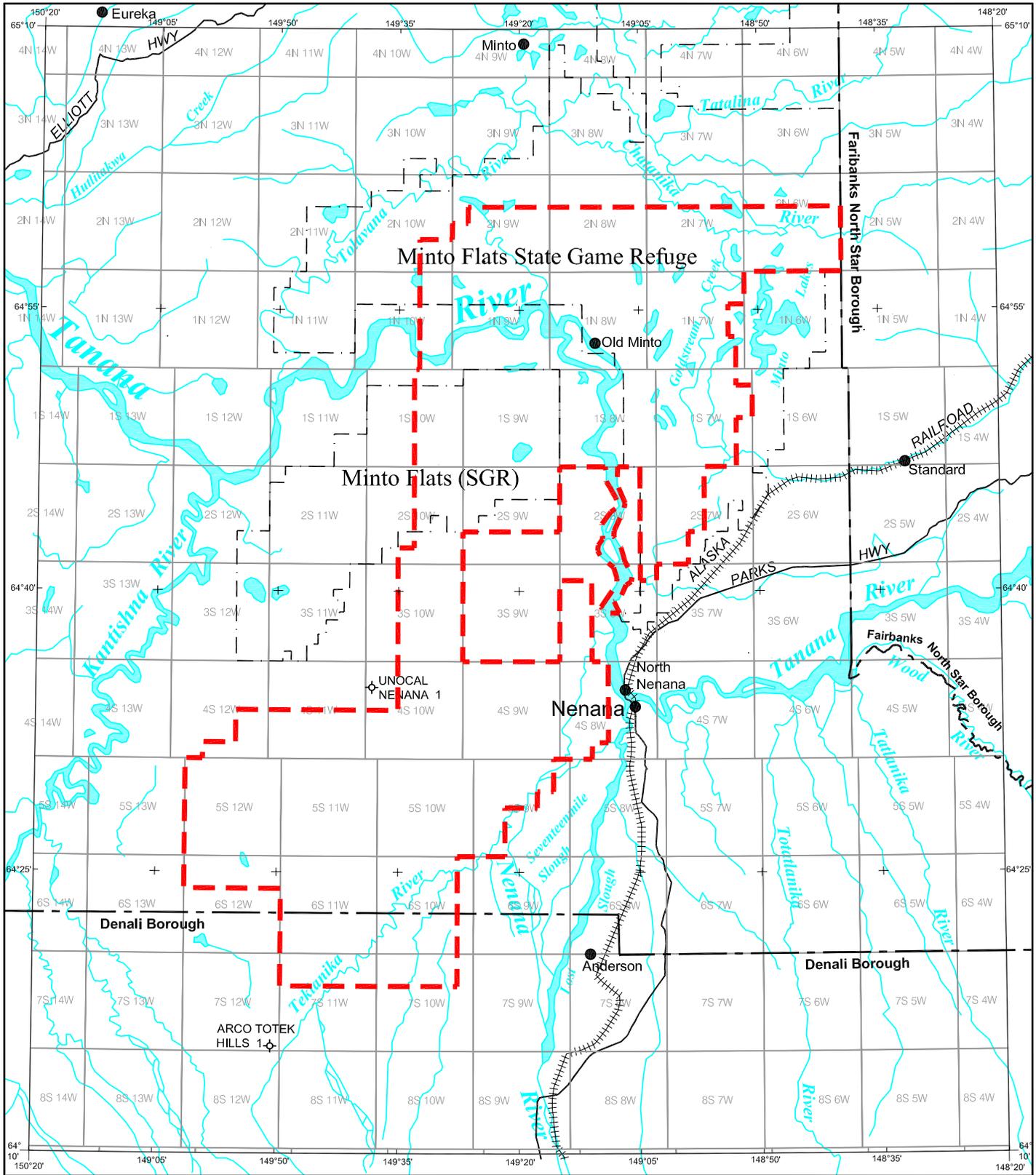
A person who is aggrieved by the decision to issue the exploration license may request the commissioner to reconsider under AS 35.05.035(i) and (j). To be eligible an appellant must have meaningfully participated in the process by submitting written comments during the prescribed comment period. A request for reconsideration must be received by Pat Pourchot, Commissioner; Department of Natural Resources; 550 W 7th Ave, Suite 1400; Anchorage, Alaska 99501, or received by FAX at 1-907-269-8918 by 5:00 p.m. (local time), September 11, 2002. If the commissioner fails to act by September 23, 2002 the request is considered denied.

A denial is the final administrative decision for purposes of appeal to Superior Court. A person may then appeal to Superior Court only if the person was eligible to request, and did request, an administrative reconsideration of this decision by the commissioner. An appellant must initiate an appeal within 30 days from the date of denial or from the date of distribution of the denial decision, in accordance with the rules of court and to the extent permitted by applicable law.

The State of Alaska, DNR, DO&G complies with Title II of the Americans with Disabilities Act 1990. This Publication will be made available in alternative communication formats upon request. Please contact Pam Rogers at (907) 269-8806 to make any necessary arrangements.



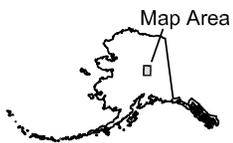
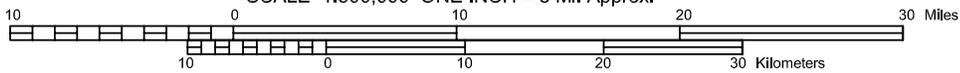
Mark D. Myers
Director



Nenana Basin Exploration License Area

License Area = - - - - -

SCALE 1:500,000 ONE INCH = 8 Mi. Approx.



Map created, edited, and published by the State of Alaska, Department of Natural Resources, Division of Oil and Gas.

Albers Equal-Area Conic Projection, 1927 North American Datum, Clarke 1866 ellipsoid with a central meridian of 149° 20' 00", origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.

This is not an official license map, but is for informational purposes only. DNR makes no claim as to its accuracy.

ADNR 8/02