

EXPLORATION LICENSING

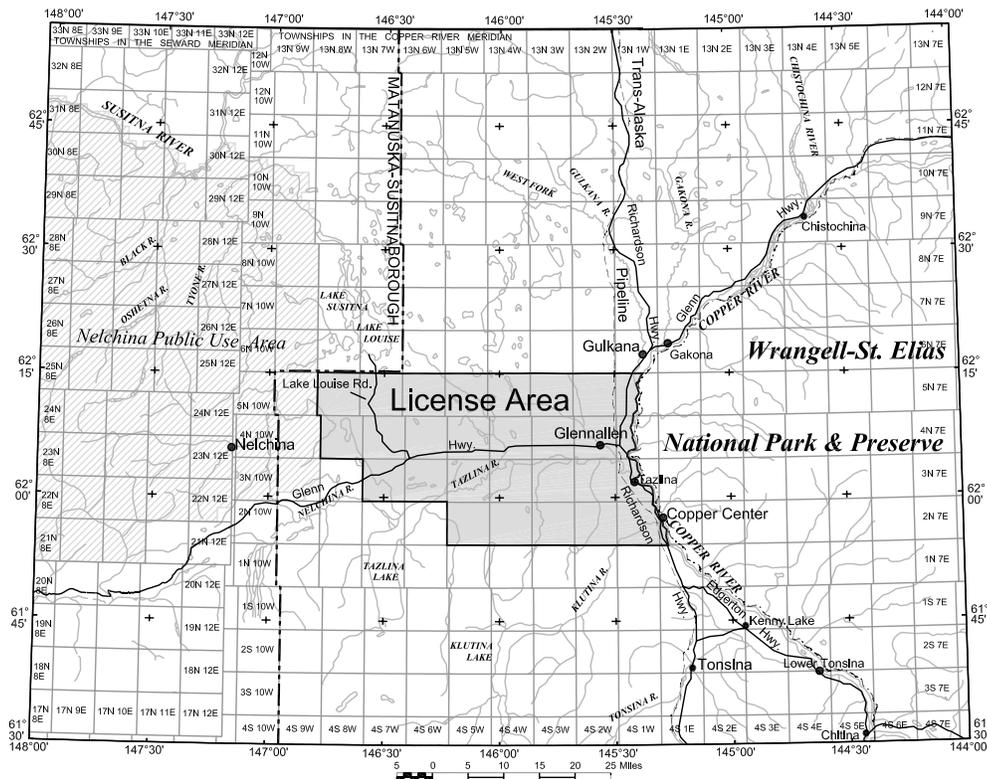
Exploration Licensing supplements the state's oil and gas leasing program and encourages oil and gas exploration within remote areas of the state outside of the known oil and gas provinces -- the North Slope coastal plain, the Beaufort Sea and Cook Inlet. The holder of an exploration license has the 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.

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 12.5 percent.

The state has issued one exploration license and currently has proposals for two more.

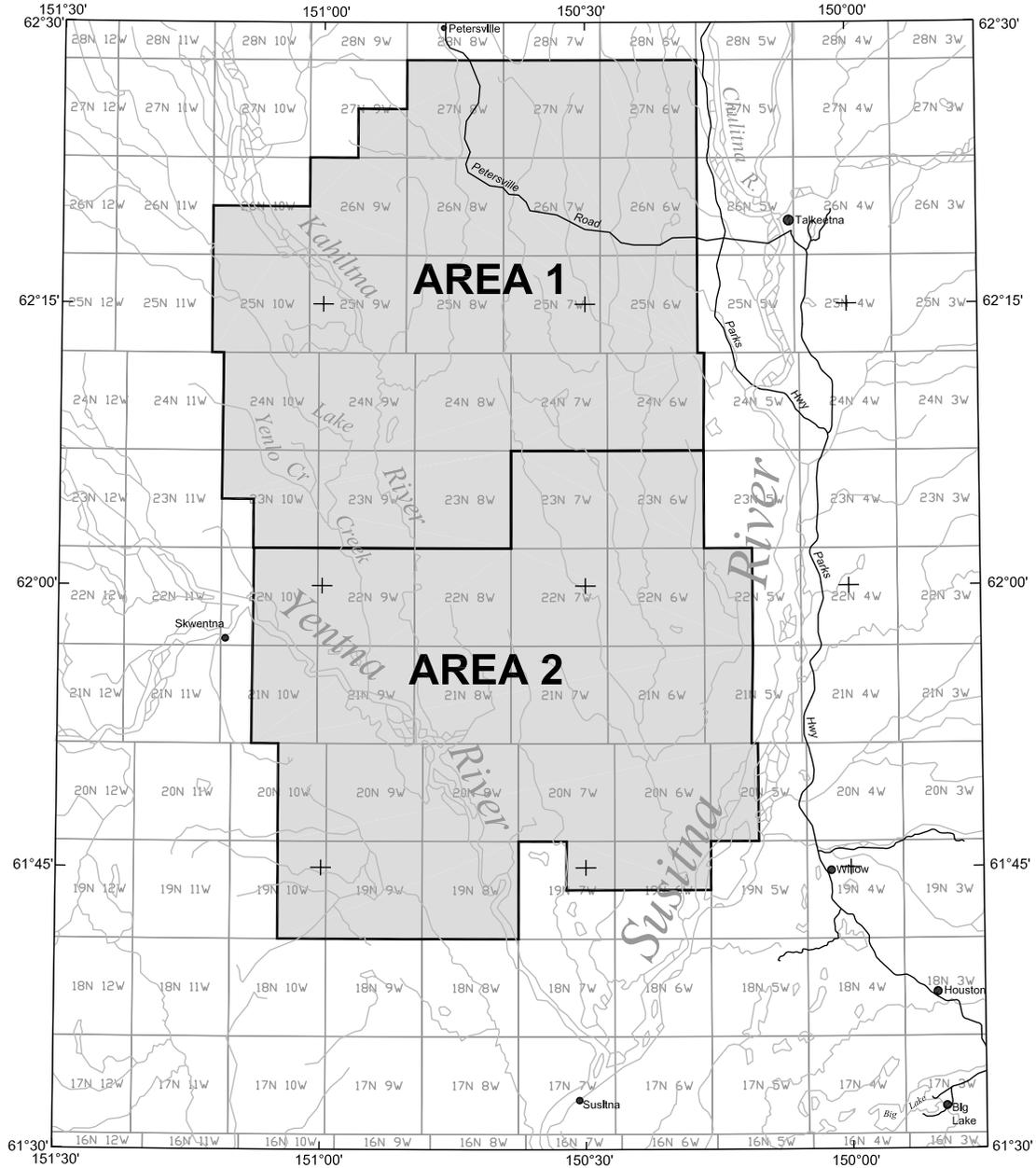
ISSUED: Copper River Basin Exploration License

Licensee: Anschutz Exploration Corp.
Size: 318,756.35 Acres
Exploration Commitment: \$1,420,000
Term of License: 5 Years
Date Issued: October 1, 2000

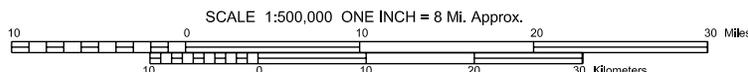


PROPOSED: Susitna Valley Exploration Licenses

During April 2000 Forcenergy Inc. (now Forest Oil Corp.) submitted two license proposals for the Susitna Valley west of the Susitna River. These are single proposals, since a competing proposal submitted in July has since been withdrawn. Each license area consists of 474,240 acres. The Division will issue the Preliminary Best Interest Finding for the two licenses in April 2001. Following a public comment period the final finding will be issued in October 2001. If it's determined that these exploration licenses are in the state's best interests they will be issued by the end of this year.



Proposed Exploration License Areas



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 150° 37' 30", origin latitude of 50°, northern parallel of 65°, and southern parallel of 55°.