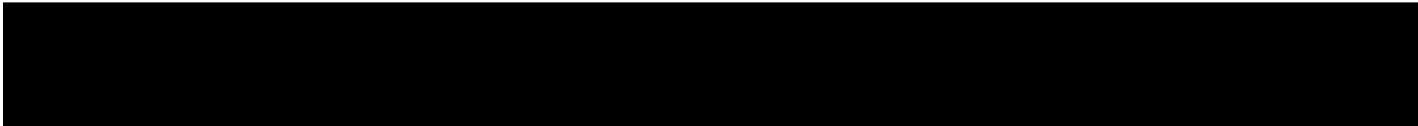


APPENDICES



Appendix A

Agreement in Principle

Agreement in Principle – Proposed Land Acquisition and Exchange

Between

Yukon Flats National Wildlife Refuge and Doyon, Limited

Doyon, Limited, an Alaska Native Claims Settlement Act (ANCSA) Corporation¹, currently owns 1.25 million acres within the exterior boundary of Yukon Flats NWR. Negotiators for Doyon and the U.S. Fish and Wildlife Service, Alaska Region, have agreed in principle to provide Doyon title to some refuge lands that may hold developable oil and gas resources. In exchange, the Service will receive habitat currently owned by Doyon within the refuge boundary. This will consist of wetlands previously identified by the Service as quality fish and wildlife habitat. As a result of the exchange, there will be less privately owned land within refuge boundaries. Phase 1 of the agreement includes a land exchange, final allocation of Doyon’s ANCSA 12(b) entitlement outside of the refuge boundary, and the exchange of additional scattered land parcels to consolidate public and private lands and facilitate land management for both Doyon and the Service. If Doyon subsequently finds and chooses to develop oil and/or gas, Phase 2 of the agreement calls for the creation of a land acquisition and facility development account funded by production payments from Doyon’s oil and gas production; it also provides for the Service to purchase additional Doyon lands within the refuge at fair market value and to purchase lands in other refuges in Alaska.

The key elements of this agreement are as follows:

Phase 1:

Doyon will take title to approximately 110,000 acres (surface and subsurface) of refuge lands that have prospects for developable oil and gas deposits (“core lands”). The core lands lie in the south-central portion of the refuge around Beaver Creek south of the village of Birch Creek.

Doyon will also take title to approximately 97,000 acres of subsurface oil and gas interests in a “halo” of lands around the core lands and other Doyon holdings within the refuge. If marketable oil and gas resources are discovered, Doyon will be able to access their halo land interests only by directional drilling from their adjacent surface holdings. No surface occupancy or surface construction will be permitted on these 97,000 acres.

In an equal value exchange for the core lands and halo land interests, FWS will receive an estimated 150,000 acres of Doyon fee holdings (surface and subsurface) within the Yukon Flats NWR. These lands contain quality fish and wildlife habitat and will provide expanded opportunities for public use. (The 150,000 acre estimate is based on *very preliminary* estimates of relative values of lands and interests associated with this agreement. Since appraisals have not yet been conducted, the actual acreage acquired by the FWS could be significantly more or less. Appraisals will conform to Uniform Appraisal Standards for Federal Land Acquisitions. The appraisers, as well as both parties to this agreement, will have access to the same geological, geophysical, and other data relevant to resource evaluation.)

Doyon will also irrevocably reallocate their remaining ANCSA 12(b) entitlement (approximately 58,000 acres) outside of the Yukon Flats NWR to the village of Circle. (Doyon could, and likely would, allocate most of its remaining 58,000 acres of ANCSA 12(b) entitlement to villages within the refuge without this agreement. Under this agreement, however, Doyon commits to allocating all remaining entitlement to areas outside the refuge.)

Doyon will retain a limited subsistence easement, mirroring the subsistence provisions of ANILCA, for local rural residents on all lands conveyed to the FWS through the exchange.

In the area to be acquired by Doyon, the FWS will reserve a 1-mile wide public use easement along Beaver Creek (1/2 mile on each side) to protect public access to, and use of, the waterway.

More than 125 miles of Beaver Creek, immediately upstream of the core lands, is designated “wild” under the National Wild and Scenic Rivers Act. This exchange does not include any lands in the Beaver Creek Wild River Corridor. While Doyon’s acquisition of the core lands will take some of the downstream Beaver Creek corridor out of Federal ownership, other segments of the Beaver Creek corridor will be acquired by FWS in the equal value exchange. The complete reallocation of Doyon’s 12(b) entitlements to villages outside of the refuge boundary will also ensure that other sections of the Beaver Creek corridor within the refuge boundary don’t convert from Federal to private ownership.

Doyon and the Service will pursue some township-level equal value exchanges elsewhere in the refuge to consolidate Doyon and refuge ownership.

Phase 2 – To be implemented if Doyon finds and chooses to develop oil and/or gas resources on the lands acquired by the initial exchange:

An “Alaska NWR Land Acquisition and Facility Account” will be established by FWS to be used by FWS to: (1) acquire additional lands within the Yukon Flats NWR; (2) acquire other lands from willing sellers within Alaska refuges; and, as a second priority, construct facilities for Alaska refuges.

Doyon will pay into the Alaska NWR Land Acquisition and Facility Account a production payment of 1.25% of resource value at the wellhead for all oil and gas extracted from lands and interests acquired through this agreement. The 1.25% rate for the production payment is equivalent to the Federal share of typical lease payments (10% of 12.5%) for oil and gas produced in this region. (Establishment of this account will require legislation. If this authorization is not received, the agreement will not become effective.)

The existing geological, geophysical and other data suggest that the chances of Doyon locating developable oil and gas deposits range from 1 in 20 to 1 in 40. Doyon would need to discover approximately 200 million barrels of recoverable oil in order for any development to be economical. A 200 million barrel field has an in-place value of \$6 billion at \$30/barrel. Under this scenario, payments into the Alaska NWR Land Acquisition and Facility Account would be approximately \$75 million, assuming a 200-million barrel recoverable reserve and oil at \$30 per barrel.

To mitigate the impacts of oil and gas development within the refuge, Doyon agrees to sell to FWS, at fair market value, up to 120,000 acres of additional quality fish and wildlife habitats within the refuge. The acquisition of these lands would be in addition to those exchanged in Phase 1. The total acquisition of lands acquired for the refuge, through the initial Phase 1 exchange plus fair market purchases in Phase 2, will total approximately 270,000 acres. Lands acquired by FWS from willing-seller village corporations within the refuge, where Doyon simultaneously sells FWS the subsurface at fair market value, will be credited towards Doyon’s 270,000 (approximate) acre total acreage commitment.

Doyon will retain a limited subsistence easement, mirroring the subsistence provisions of ANILCA, for local rural residents on all lands purchased from them by the Service.

If oil and gas development goes forward, Doyon will, consistent with ANILCA Title XI, file an application with BLM for a right-of-way through the White Mountains National Recreation Area to construct a road and pipeline to connect their production facilities to the trans-Alaska pipeline. A cross-refuge route may be considered as an alternative in the subsequent NEPA review. If a cross-refuge ROW is ultimately granted, mitigation measures, at a minimum, will include: (1) Doyon will convey to the FWS 640 acres of land within the refuge for each linear mile of ROW that crosses the refuge. (A ROW across the Refuge would

be approximately 40 linear miles, requiring the additional conveyance of approximately 25,600 acres.) (2) The production payment on all oil and gas resources developed from the lands acquired by Doyon via the agreement will be increased from 1.25% to 1.5%. (This 0.25% increase in production payment would produce an additional \$15 million for the acquisition and facilities account, assuming a 200-million barrel recoverable reserve and oil at \$30 per barrel.)

In summary:

Phase 1 of this agreement will result in Doyon receiving lands with prospects for oil and gas, while the refuge will gain an estimated net increase of 98,000 acres of quality fish and wildlife habitat; acreage that will also be available for recreation and subsistence use. The estimated net increase of 98,000 acres is calculated as: the estimated 150,000 acres to be received by FWS in the exchange *minus* the 110,000 acres of surface/subsurface conveyed to Doyon in the exchange *plus* 58,000 acres of 12(b) entitlement that will not be taken within the refuge.

If Phase 2 is implemented, Doyon will profit from developing the oil and gas acquired in Phase 1, and the refuge will gain, through market value purchases funded by production payments from Doyon's oil and gas production, an additional 120,000 acres of quality fish and wildlife habitat that will also be available for recreation and subsistence use. The Service would then be able to continue to use such funds, as available to purchase other private lands from willing sellers within other national wildlife refuges in Alaska and, as a second priority, construct needed facilities.

The parties to this agreement believe that implementing its provisions are in the public interest. The Service believes that, when all elements of the agreement are viewed in aggregate, the agreement will benefit the Yukon Flats Refuge, the refuge system, and the Service's trust responsibilities to fish and wildlife resources.

Benefits to Doyon shareholders are more speculative, but could be significant under the most positive scenarios, including job training and long term employment for residents of an economically disadvantaged part of rural Alaska. Noteworthy is the fact that 70 percent of all net revenues Doyon may receive from oil and gas development must be shared by law with the other 11 ANCSA regional corporations and ANCSA village corporations statewide.

This agreement in principle will next be presented to:

FWS and Department leadership for further policy and legal review.

The public, for review and comment.

(Footnotes)

¹ Doyon, Limited was formed as a result of the 1971 Alaska Native Claims Settlement Act. It is one of 12 State chartered for profit ANCSA regional corporations mandated by Congress. Doyon has a membership of 14,000 Alaska Native shareholders, many of whom are resident in over 30 Native villages throughout interior Alaska. Consistent with Congress' ANCSA policy declaration, Doyon aims to make a positive difference in the "real economic and social well-being" of Alaska Natives shareholders. Doyon is the largest private landowner in Alaska and its ownership rights in several Federal refuges preceded their establishment in 1980. More Doyon information can be found at www.doyon.com.