

**Agreement in Principle – Proposed Land Exchange and Acquisitions Between
Yukon Flats National Wildlife Refuge and Doyon, Limited**

Doyon, Limited, an ANCSA Corporation, currently owns 1.25 million acres within the boundary of the Yukon Flats NWR. Refuge holdings total 8.6 million acres. 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 FWS will receive quality fish and wildlife habitat currently owned by Doyon within the refuge boundary. Phase 1 of the agreement includes both a land exchange and final allocation of Doyon's ANCSA 12(b) entitlement. 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; it also allows the Service to purchase additional Doyon lands within the refuge at fair market value.

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 100,000 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 these halo land interests by directional drilling from their adjacent surface holdings. No surface occupancy or surface construction will be permitted on these 100,000 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 recreation and subsistence uses. (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 full access to all geologic, geophysical, and other data of interest useful for resource evaluation.)

- Doyon will also irrevocably reallocate most of their remaining ANCSA 12(b) entitlement (approximately 53,000 acres) outside of the Yukon Flats NWR to the village of Circle. (Doyon could, and likely would, allocate most of these 53,000 acres of ANCSA 12(b) entitlement to villages within the refuge without this agreement. Under this agreement, however, Doyon commits to allocating 53,000 acres of remaining entitlement to areas outside the refuge.) Doyon's reallocation of 12(b) entitlement will result in the removal of approximately 500,000 acres of 12(b) selections.
- Doyon will retain a limited subsistence easement 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 river.
- 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 (3) construct priority 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.)
- The existing geologic, 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 at least 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 on the core lands acquired by Doyon in the Phase 1 of this agreement, Doyon agrees to sell to FWS, at fair market value, up to 127,000 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 277,000 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 277,000 (approximate) acre total acreage commitment.

- More than 125 miles of Beaver Creek, immediately upstream of the core lands, is designated "wild" under the National Wild and Scenic Rivers Act. 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 likely be acquired by FWS in the equal value exchange. The complete relinquishment of 12(b) selections within 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 will retain a limited subsistence easement for local rural residents on all lands purchased from them by the Service.
- Consistent with ANILCA Title XI, Doyon will 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 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 93,000 acres of quality fish and wildlife habitat; acreage that will also be available for recreation and subsistence use. The estimated net increase of 93,000 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* 53,000 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 127,000 acres of quality fish and wildlife habitat that will also be available for recreation and subsistence use. The estimated net increase of 127,000 acres is calculated as: the 277,000 acre total acquisition target minus the 150,000 acres acquired in Phase 1. (If Phase 2 is implemented, expected production payments will also eventually fund refuge facilities and land acquisition on other Alaska refuges.)

The parties to this agreement believe that implementing its provisions are in the public interest. In aggregate, the provisions of this agreement, when implemented, will make a positive contribution to the FWS mission to work with others to conserve, protect, and enhance fish, wildlife, and plants and their habitats for the continuing benefit of the American people. These positive benefits accrue under all likely outcomes, and are positive when viewed at the refuge, state, and national level.

Benefits to Doyon shareholders are more speculative, but could be significant under the most positive scenarios.

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Doyon, Limited and the Alaska Region of the U.S. Fish and Wildlife Service approved this Agreement in Principle in September of 2004. It is currently undergoing review by FWS and Department of Interior leadership and attorneys.

A detailed and legally binding exchange and acquisition agreement will be written to effect the elements of this Agreement in Principle. A detailed agreement will be finalized after considering public comments on this Agreement in Principle.

Appendix – Informational Maps

Agreement in Principle – Proposed Land Exchange and Acquisitions Between Yukon Flats National Wildlife Refuge and Doyon, Limited

Map 1 – Current Land Status: Approximately 11 million acres are encompassed within the exterior boundary of the Yukon Flats National Wildlife Refuge. Of this amount, Doyon Limited owns 1.25 million acres, shown in gray, and the FWS administers 8.6 million acres. Village corporations' ownership is shown in brown. Lands selected by Native villages under section 12(b) of ANCSA are shown in salmon. Unencumbered refuge lands are shown as green. The area proposed for wilderness in the 1987 Yukon Flats NWR Comprehensive Conservation Plan is outlined in green. The Beaver Creek National Wild River corridor is outlined in blue.

Map 2 – Phase 1 Lands to be exchanged and ANCSA 12(b) selections to be removed: Doyon will take title (surface and subsurface) to approximately 110,000 acres shown in yellow. Doyon will take title to approximately 100,000 acres of subsurface oil and gas interests shown as stippled-green. In an equal value exchange, FWS will receive an estimated 150,000 acres of Doyon fee holdings (surface and subsurface), shown in blue. As part of Phase 1, Doyon will also irrevocably reallocate their remaining ANCSA 12(b) entitlement (approximately 53,000 acres). This reallocation of entitlement will lead to the removal of most ANCSA 12(b) selections on refuge lands (Approximately 500,000 acres, shown as salmon).

Map 3 – Phase 1 Consolidation Exchange: This map shows expected land status *after* the primary equal value exchange and removal of ANCSA 12(b) selections. A supplemental equal value exchange will then be conducted to further consolidate FWS and Doyon land ownership. FWS lands to be acquired by Doyon are shown as pink. Doyon lands to be acquired by FWS are shown as dark green.

Map 4 – Phase 1 Final: This map shows the expected land status after all elements of Phase 1 are completed.

Map 5 – Phase 2 Additional FWS Land Acquisition and Right-of-Way Alternatives: If Doyon discovers and chooses to develop oil and/or gas resources on Phase I acquired lands, FWS will purchase an additional 127,000 acres, shown in blue, from Doyon at fair market value including one township acquired by Doyon from a Village Corporation, shown in rose. Under this development scenario, Doyon will apply for a right-of-way through the White Mountains National Recreation Area for a road and pipeline to connect the field to the Dalton Highway and Trans-Alaska pipeline (preferred alternative) shown in red. If through the ANILCA Title XI process a right-of-way is instead granted across the Yukon Flats refuge (“cross refuge alternative”) shown in red, Doyon will convey an additional 25,600 acres to FWS (shown as hatched-blue).

Map 6a – Phase 2 Final Land Status – Expected land status after all elements of Phase 1 and Phase 2 are completed.

Map 6b- Phase 2 Final Land Status – Like Map 6a, the expected land status after all elements of Phase 1 and Phase 2 are completed. This map includes additional detail on rights of way and surrounding lands.

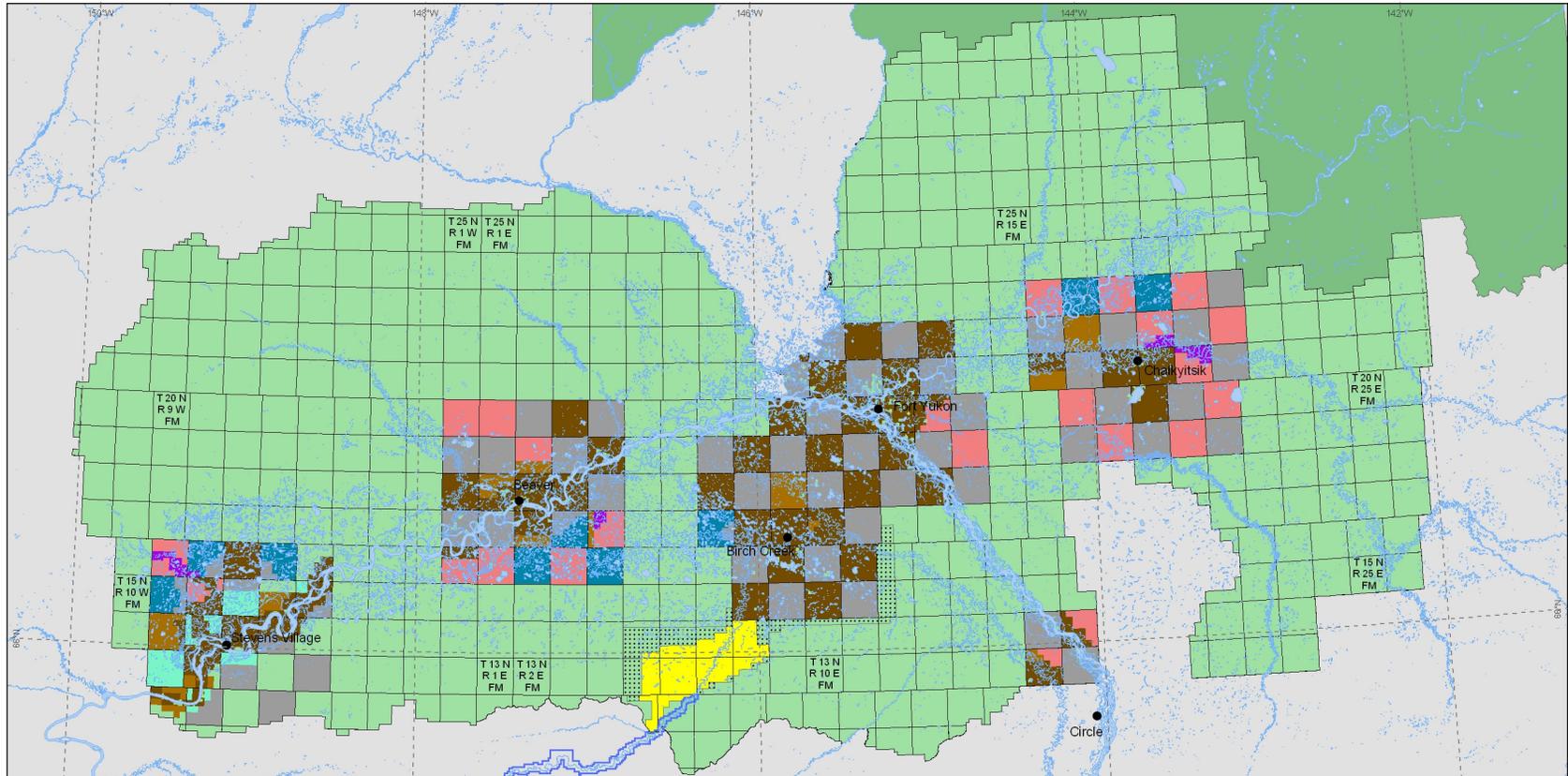


U.S. Fish & Wildlife Service

Phase 1: Land to be exchanged and ANCSA 12(b) selections to be removed

USFWS/Doyon Agreement - Map 2

Yukon Flats National Wildlife Refuge, Alaska



Land Status			
	U.S. lands to Doyon		Yukon Flats NWR
	Doyon Lands to U.S.		Arctic NWR
	Selected 12(b) Village Lands to be removed (entitlement is approx. 3 of the 23 selected townships)		Conveyed Village Lands
	Remaining 12(b) Selections to be conveyed to Villages		Conveyed Doyon Lands
	U.S. oil & gas interests to Doyon		Conflicting Selections (Stevens Village 12(a) and Doyon)
	Wild & Scenic River Corridor		Non-Refuge Lands

0 4 8 16 24 32 Miles
0 4 8 16 24 32 Km

Yukon Flats NWR
Anchorage

Produced in the Division of Realty
Anchorage, Alaska
Current to: November 18, 2004

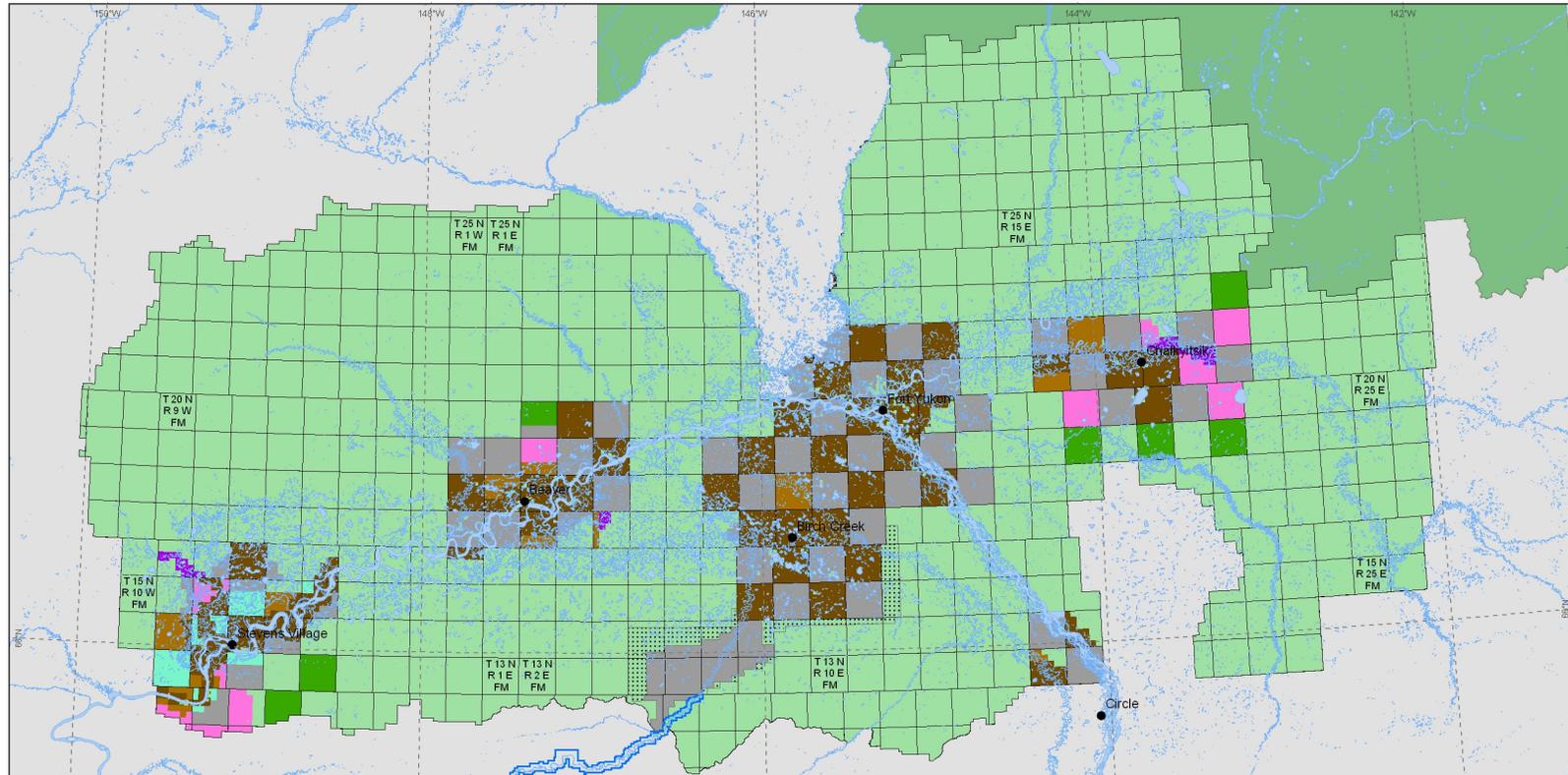


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Yukon Flats National Wildlife Refuge, Alaska

USFWS/Doyon Agreement - Map 3

Phase 1: Consolidation Exchange



Land Status			
	FWS lands to be acquired by Doyon		Selected 12(a) Village Lands
	Doyon Lands to be acquired by FWS		Conflicting Selections (Stevens Village 12(a) and Doyon)
	Yukon Flats NWR		Wild & Scenic River Corridor
	Yukon Flats NWR land with Doyon oil & gas ownership		Arctic NWR
	Conveyed Doyon Lands		Non-Refuge Lands
	Conveyed Village Lands		
	Remaining 12(b) Selections to be conveyed to Villages		

0 10 20 30 miles
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Yukon Flats NWR
Anchorage

Produced in the Division of Realty
Anchorage, Alaska
Current to: November 18, 2004

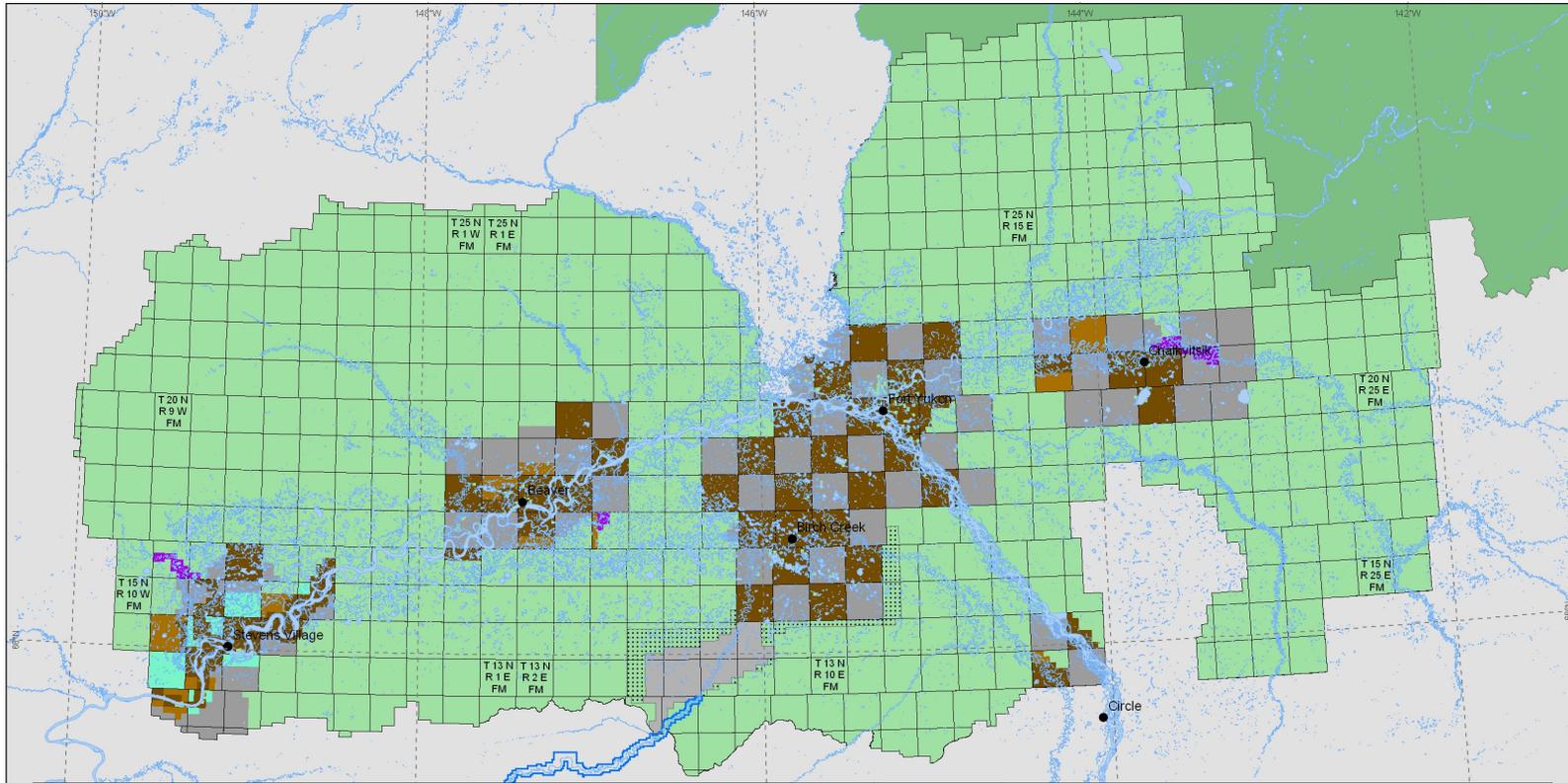


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Yukon Flats National Wildlife Refuge, Alaska

USFWS/Doyon Agreement - Map 4

Phase 1: Final



Land Status			
	Yukon Flats NWR		Conveyed Village Lands
	Yukon Flats NWR land with Doyon oil & gas ownership		Remaining 12(b) Selections to be conveyed to Villages
	Conveyed Doyon Lands		Selected 12(a) Village Lands
			Wild & Scenic River Corridor
			Arctic NWR
			Non-Refuge Lands

0 10 20 30 miles
0 10 20 30 km

Produced in the Division of Realty
Anchorage, Alaska
Current to: November 18, 2004

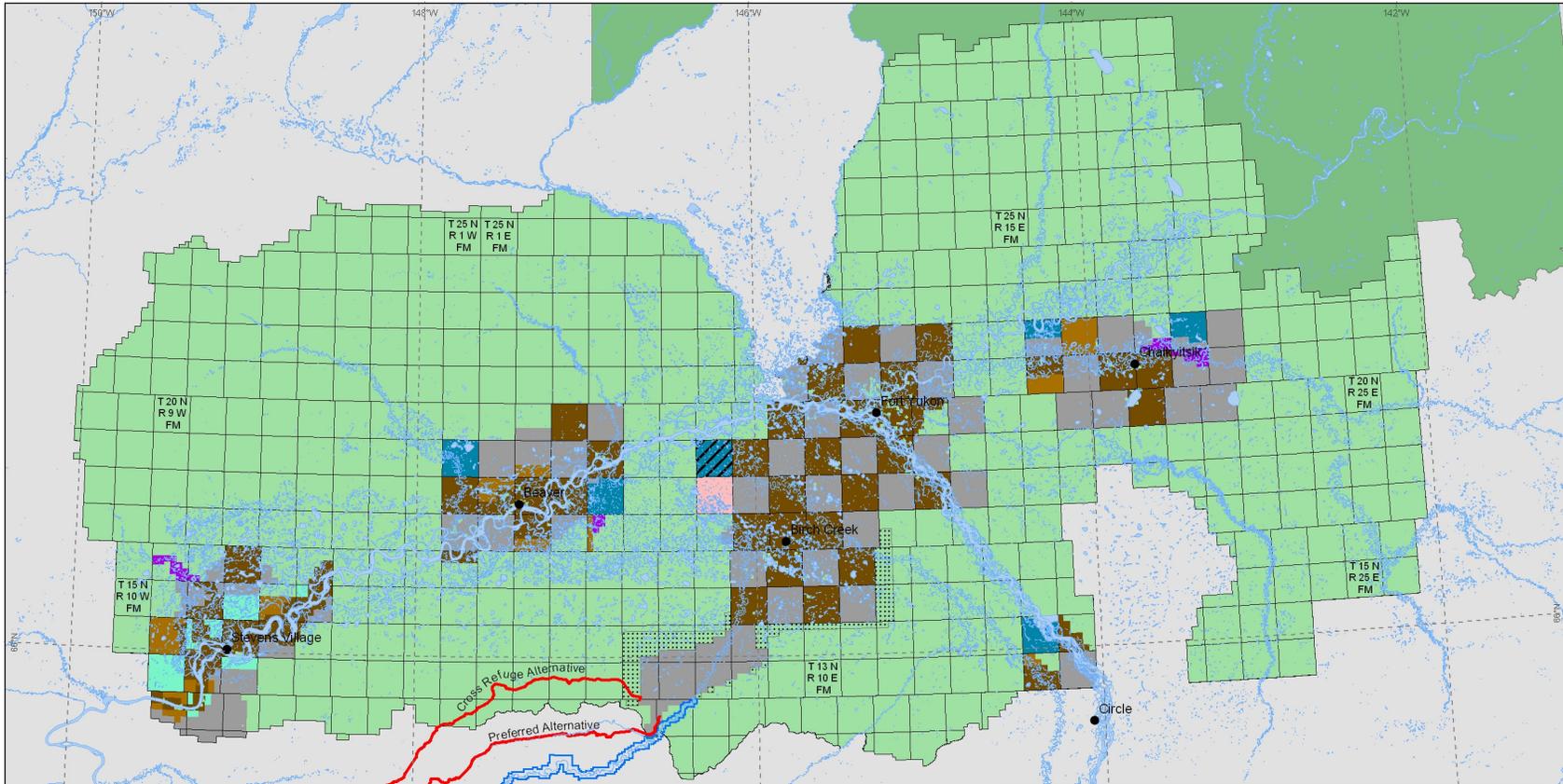


U.S. Fish & Wildlife Service

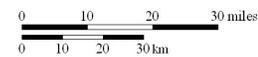
Yukon Flats National Wildlife Refuge, Alaska

USFWS/Doyon Agreement - Map 5

Phase 2: Additional USFWS acquisitions and ROWs



Land Status			
	Doyon Lands to U.S. (Purchase)		Yukon Flats NWR
	Land to U.S. subject to acquisition by Doyon (Purchase)		Yukon Flats NWR lands with Doyon oil & gas ownership
	Doyon Lands to U.S. for "cross refuge" ROW mitigation		Conveyed Doyon Lands
	Proposed ROWs		Conveyed Village Lands
			Remaining 12(b) Selections to be conveyed to Villages
			Selected 12(a) Village Lands
			Conflicting Selections (Stevens Village 12(a) and Doyon)
			Wild & Scenic River Corridor
			Arctic NWR
			Non-Refuge Lands



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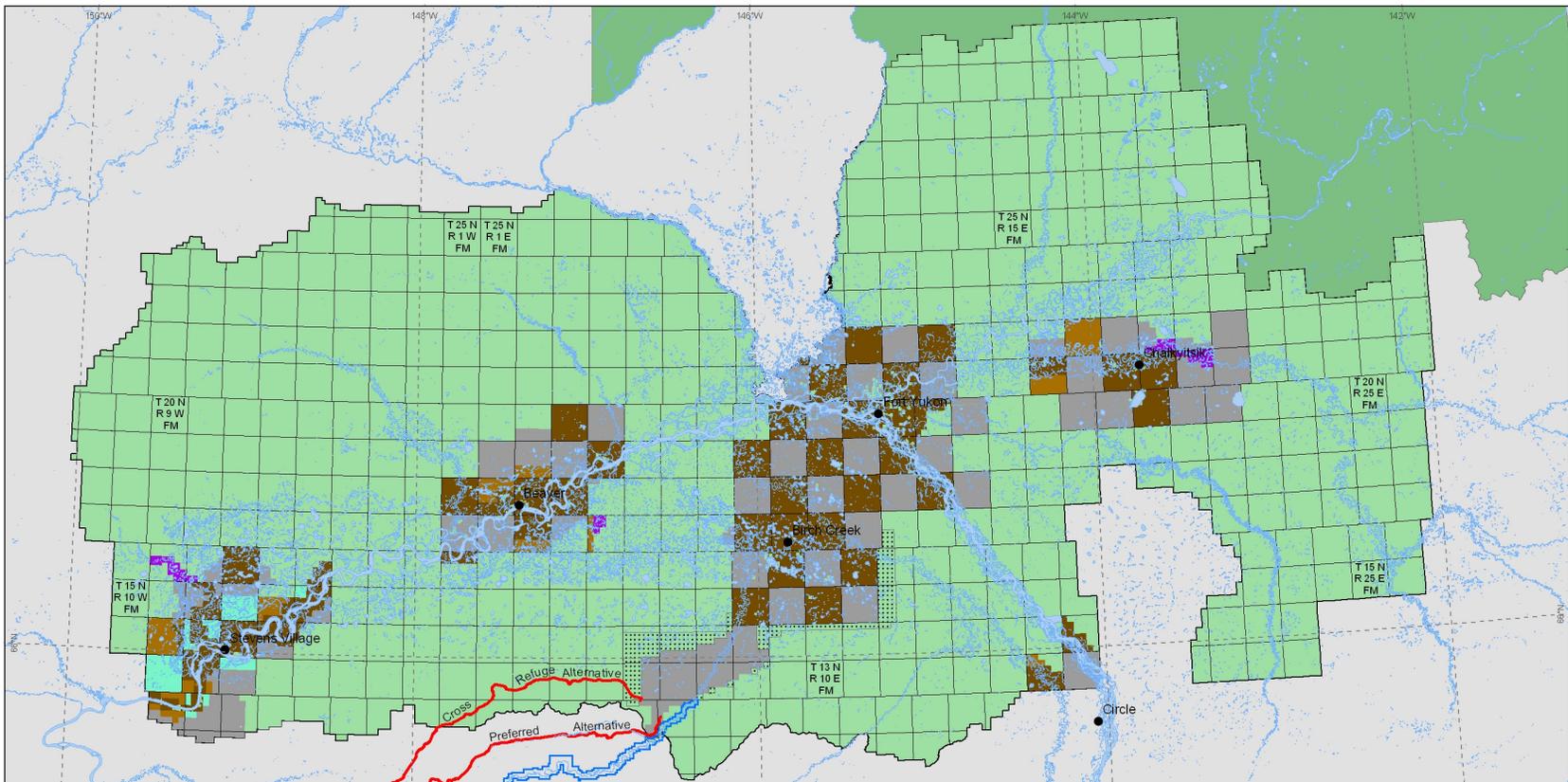


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Yukon Flats National Wildlife Refuge, Alaska

USFWS/Doyon Agreement - Map 6a

Phase 2: Final



Land Status			
	Yukon Flats NWR		Remaining 12(b) Selections to be conveyed to Villages
	Yukon Flats NWR lands with Doyon oil & gas ownership		Selected 12(a) Village Lands
	Conveyed Doyon Lands		Conflicting Selections (Stevens Village 12(a) and Doyon)
	Conveyed Village Lands		Proposed ROWs
			Wild & Scenic River Corridor
			Arctic NWR
			Non-Refuge Lands

Yukon Flats NWR
Anchorage

Produced in the Division of Realty
Anchorage, Alaska
Current to: November 18, 2004



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Yukon Flats National Wildlife Refuge, Alaska

USFWS/Doyon Agreement - Map 6b

Phase 2: Final

