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Andex close to Nenana deal, gas could go to Anchorage

By Kay Cashman

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Jim Dodson, executive vice president of Andex Resources LLC of Houston, told PNA that his firm is "very close to a deal with Doyon" to explore and develop the oil and gas resources of approximately 38,000 acres in the Nenana sedimentary basin in Interior Alaska.

The privately owned independent is also working with the state for an exploration license in the basin. Dodson said Doyon Ltd. was instrumental in getting Andex interested in what geologists view as a gas-prone area.

"The Andex license application is for several hundred thousand acres in the basin. Our land is in a fairly strategic location in the deepest part of the basin. We're an island within state land," Doyon Vice President of Lands and Natural Resources Jim Mery told PNA.

"Doyon has been a tremendous source of information for us. We couldn't have put together the picture we have — the picture that made us go after this deal — without Doyon," he said.

Two right-of-ways to Anchorage

The Nenana basin, which Doyon Ltd. documents said could hold reserves "on the order of 250 million barrels of recoverable oil and 250 Bcf to 1 Tcf of recoverable gas," was explored by ARCO Alaska in the early 1980s. ARCO drilled a well in the basin in 1984 but dropped its plans for further exploration when oil prices collapsed, Mery said.

It has enough gas, Dodson believes, to meet market demands for Fairbanks and possibly Anchorage: "We see a home heating market in Fairbanks and an electric generation market. We also see a market for supplanting diesel and other fuels to Interior mines. It's a 30 million to 50 million cubic feet a day market (for natural gas) in the Interior. ...

"If we found a significant gas discovery up there we could seriously look at supplying Anchorage," Dodson added.

"By Alaska standards the Nenana basin is not that far from Anchorage. ... We're south of the Brooks Range and there are two rights of way that could be used for a pipeline between the basin and Anchorage

— the highway and the railroad.”

Seismic winter of 2002-2003

Andex's work commitment is confidential, Dodson said. “There won't be any seismic or geophysical work this winter. We expect to shoot our first seismic in the winter of 2002-2003.”

Andex is a good choice for development in the basin, Mery said. Mark Myers, director of the state Division of Oil and Gas, agreed with him.

Both men pointed to the fact that the company is well-funded, involved with other projects in Alaska and looking to get even more involved in the state. (See articles in this issue about Netricity and the Slugger unit.)

“We have been working with them for over a year and gotten to know them very well. A lot of them are old Shell Oil people. ... Andex's president, Ernie LaFleur, was head of Alaska exploration for Shell. I am very impressed with their geology staff,” Mery said.

Native issues

Andex appears sensitive to the Native issues that surround any development in the Nenana basin, Mery said.

“While we at Doyon are supportive of oil and gas in this area, we are still very committed to making sure that the state in its best interest finding process for Andex's exploration license has all the information in front of it to make sure that the appropriate mitigation measures can be taken to avoid negative impacts on the area. ...

Mery said there are a “number of youth cultural camps and other educational activities centered out of old Minto village on the Tanana River, as well as important hunting, trapping and fishing that takes place on numerous lakes in the Minto Flats, all of which would be in the general area of the possible exploration and would have to be taken into consideration.

Alaska office a possibility

The focus of Andex's exploration will be gas, Dodson said.

“When industry explored the basin in the early '80s, their focus was oil but they knew it was a gas-prone basin and thought there was also a good shot at oil. Andex's focus is gas. We'd be happy if we found oil, but our focus is traditional natural gas,” he said.

An Alaska office is something “we may have one of these days, depending how big our business in Alaska gets,” Dodson said.

Company Profile

- ***Founded in Late 1998***
- ***\$70 million in venture capital, and \$20 million in land assets***
- ***Principles:***
 - 55% George Soros (Soros Fund Management)
Venture Capital Fund
 - 35% Wolf Family (Erving Wolf - Andex Chairman)

Founded Inexco Oil in 1960's creating market cap of nearly
\$1 billion before sale to LL&E in 1986
 - 10% Andex Management and Employees
- ***Operations began in early 1999***
- ***First well commenced July 1999***
- ***First production 4th Quarter 1999***

Andex Business Model

- ***Andex is a significant source of venture capital to fund the E&P Industry for natural gas exploration and development projects***
 - Highly diversified portfolio both geologically and geographically.
 - Large deal flow; 600-700 proposals per year.
 - Very selective screening process; invest in 10% of deals reviewed.
- ***Experienced Management Team***
 - 12 senior level professionals from major oil and gas companies, primarily Shell Oil
 - Backed by Erving Wolf and Soros Fund Management.
- ***Investment Objective***
 - Range of \$0.5 million to \$1.5 million of risk capital per venture.
 - Working Interest Range 10-50% (avg. 25%)
 - 60+ ventures / year
 - ROI > 25%



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Management Team:

Erving Wolf – Chairman, 1951 formed Wolf Exploration Co., 1962 formed Andover Oil Co. (1982 sold to form Santa Fe Intl.), 1968 formed Inexco Oil Co. \$1 Billion market cap on NYSE (1986 merged with Louisiana Land & Expl.), Discovered the 5TCF Madden Field in Wyoming, and N. Americas largest uranium deposit.

W. Neil McBean – CEO, 30 years of experience in the oil and gas industry with some 16 years as President, and then CEO of PetroCorp, a publicly traded energy independent. Prior to that time, he spent 13 years with Tenneco Oil Company, where he served in a range of production management and technical capacities.

Ernest LaFlure – President, 20 years at Shell Oil Co., 1 yr. President Benz Energy, Extensive E&P management assignments throughout the continental U.S., Alaska and offshore Gulf of Mexico. Led business units focused on exploration, field exploitation and acquisitions.

Steve Slack – VP Finance and CFO, 25 years experience in finance and international business, founder and co-owner of IMDST, CFO & Director Pogo Producing, Regional V.P. Energy Division at Chemical Bank, and V.P. Energy Division at Bank of America.

Jim Dodson – Executive V.P., 15 years experience in the oil and gas E&P business, worked as an exploration geologist at Pinnacle Energy, entered private legal practice with Poulson, Odell & Peterson, became corporate legal counsel at Marathon Oil Co., and worked at MCN Energy before assuming his current position focusing on Rocky Mtn. E&P in Andex's Denver office.

Tom Dodds- V.P. Land and Operations, has 27 years experience in land management, he has worked at Killam & Hurd, Inexco Oil Co., LL&E, and Wolf Companies before joining Andex.

Bill Schroeter – V.P. Exploration, has over 19 years experience in upstream oil and gas for both Amerada Hess and Texaco, he has extensive continental U.S. exploration experience and has extensive experience in asset divestitures and acquisitions.

Management Team (cont.):

Jim Honert – New Ventures Manager, 26 years of industry experience, 16 years with Shell in a variety of offshore and onshore plays, a specialist in stratigraphy, subsurface geology and geophysical interpretation.

Bob Mason – Rocky Mountain Exploration Manager, a geologist with 29 years experience, started at Shell in 1972, joined Southland Royalty in 1979, became Region Geologist for Burlington Resources upon acquisition of Southland Royalty, promoted to Senior Geologic Advisor for Burlington's Rocky Mountain Region and worked for Tom Brown Inc. for 2 years before joining Andex.

Frank Falbo – Manager of Sales & Acquisitions, a reservoir engineer with over 16 years experience, primarily at Shell. Frank has been involved in maximizing the performance of producing assets in the GOM, Rocky Mountain and Western United States and has provided engineering support for exploration and New Venture efforts. He has participated in numerous sales and acquisitions. Prior to Joining Andex Frank practiced oil & gas law with the firm of Kilburn, Jones, Gill & Campbell.

David Witter – Manager of Geology, an explorationist with over 17 years of experience in the oil & gas industry in a variety of geologic provinces. Mr. Witter has worked for primarily Shell, and Transco Energy. In addition to play and prospect generation, Mr. Witter has extensive experience in managing multidisciplinary teams, deal screening, and prospect sales.

John Lambuth – Chief Geophysicist, Mr. Lambuth has over 15 years of experience in the oil and gas industry. He began his career with Shell working a variety of assignments involving the acquisition, processing, and interpretation of seismic data, and managed a seismic crew responsible for acquiring most of shell's proprietary 3D datasets. Mr. Lambuth also held positions with Meridian Resource Corp., Benz Energy and El Paso Production. Mr. Lambuth has experience in all disciplines of geophysics including some of the newer AVO and Pre-Stack Depth technologies.