

Great Bear Petroleum LLC

***Presentation to the
House Resources Committee
18th February, 2011***



Introducing Great Bear Petroleum



Ed Duncan

B.S., M.A., D.B.A.

President and Chief Operating Officer

- Began his career working regional exploration plays in North Alaska
- Mapped, leased and named the Kuvlum prospect in Camden Bay, planned and managed wellsite operations on the Kaktovik -1 well in the ANWR and mapped and leased the Pt McIntyre field leases
- Over 30 years of experience as a Petroleum Geoscientist and Business Development Manager involved in the evaluation of new business across many of the world's petroleum provinces
- Member of the American Association of Petroleum Geologists



Karen Bryant Duncan

BBA, J.D.

VP – Corporate, General Counsel & Secretary

- A practicing lawyer in the State of Texas since 1987
- Worked at large national law firms for most of her career, achieving partner status
- Over a decade of in-house experience working as corporate counsel for publicly traded corporations
- Karen's expertise is corporate, securities and oil and gas law

Ryan Moynagh

LLB, CFA, LIFA

VP – Finance & Chief Financial Officer

- Independent strategic and commercial advisor to oil & gas sector
- Former Investment Banker in Merrill Lynch's Energy & Power Group, based in New York, London and Singapore
- Graduated first-in class in Law and Accounting (First Class Honours), Queens University
- Wharton Business School Executive MBA graduate

Robert Rosenthal

BSc, MSc

VP – New Ventures

- Over 30 years experience in the global oil and gas industry
- Career in Alaska spans nearly 20 years
- Directly involved in discoveries of approx. 1 billion barrels of reserves as world class source rocks
- Responsible for the implementing BP's new exploration strategy in 1990
- Drilled first ever Caney/Woodford well

Mario Traviati

BSc, MSc

VP – Business Development & Investor Relations

- Former head of Energy Research Asia Pacific at Merrill Lynch
- Excellent contacts at senior levels with governments and corporates across Asia-Pacific, the Sub-Continent & the Middle East
- Formerly an Explorationist with Woodside Petroleum which discovered the vast resources of the North West Shelf



Competition for Capital

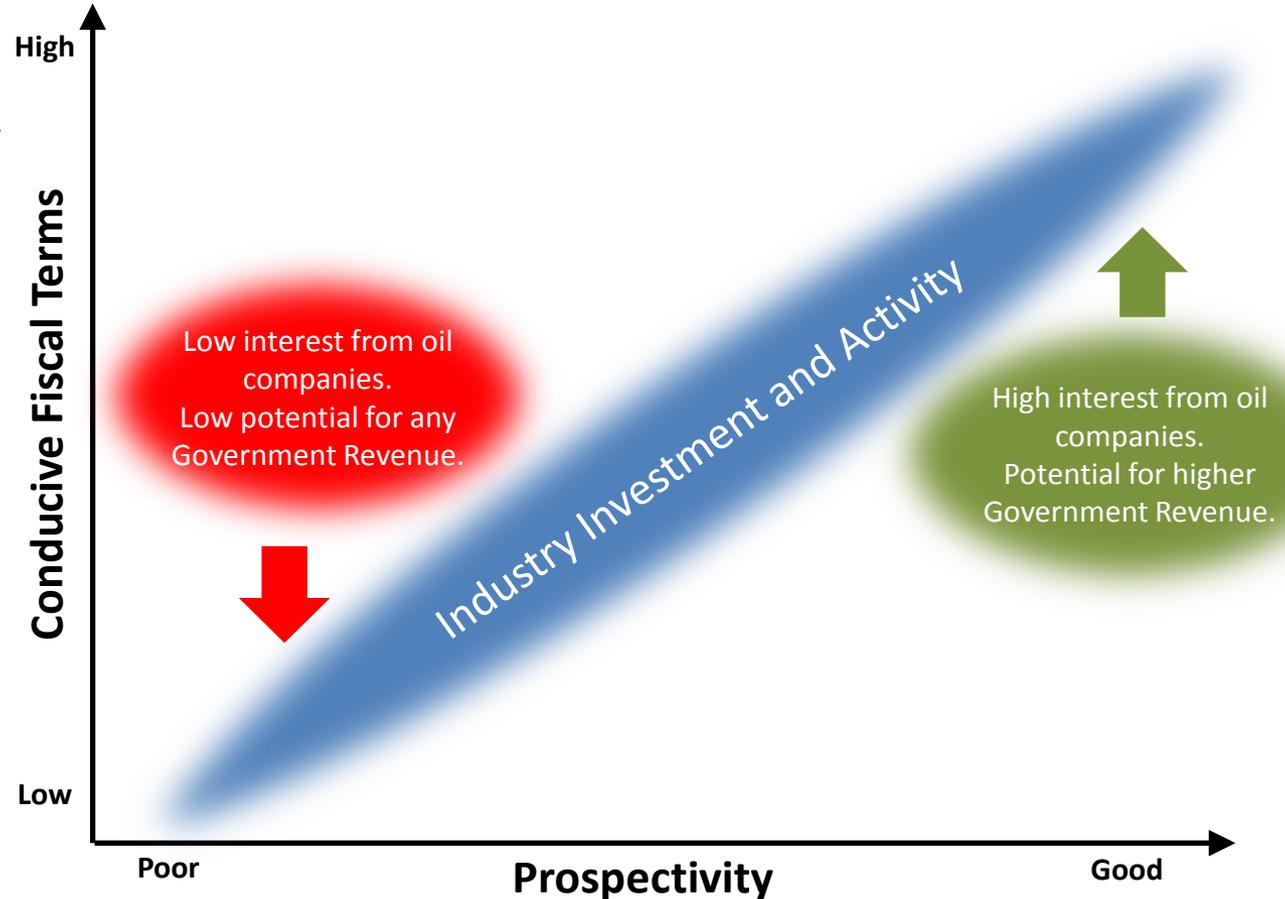
- Capital is mobile and will source out the best risk-adjusted economic returns, regardless of geography.
- Globalization has reduced sovereign risk which used to be the major impediment to investment.
- Government policies that either support or restrict investment will be an important determinant of how companies and countries fare in securing investment capital.
- Greater accessibility of technology and operating capabilities has made deepwater and unconventional resources viable competing investment opportunities
- **In the United States, the quest for capital investment has taken the appearance of State versus State competition for the oil and gas industry's attention.**

Alaska is competing both domestically and internationally for investment capital.



Tough Fiscal Terms Suppress Activity

- The most important factor in exploration investment is **Prospectivity**, or the likelihood of discovering oil or gas in commercial quantities. The industry will focus **where the rocks are good**.
- Effective **Conversion** from **Prospectivity** to **Commercial Production** ultimately controls the terms and the size of Government Revenue.
- Fiscal Terms will influence the **Conversion Efficiency** from Prospectivity to Commercial Production ultimately controlling Government Revenue.



Conversion from prospectivity to production can be suppressed by a non-competitive fiscal environment.



Recognition of Alaska as a Global Oil and Gas Producer has Declined

- The easy conventional oil has been found.
- Remaining large volume potential in **unconventional plays**, e.g. heavy oil, shale oil & gas, CBM.
- Costs will continue to rise on per barrel basis and economic returns will decline due to
 - Field sizes getting smaller
 - Challenging operating environment
 - Exploration for new play types becoming riskier
 - Identified plays such as “shallow heavy oil” and “oil and gas shale” are expensive
- **The ability to deliver unconventional resources to market rests primarily on commercial risk rather than technical risk factors.**
- Discovery and development of Alaska’s remaining potential would be significantly enhanced by improvements in Alaska’s fiscal terms such as those terms in **HB 110**.



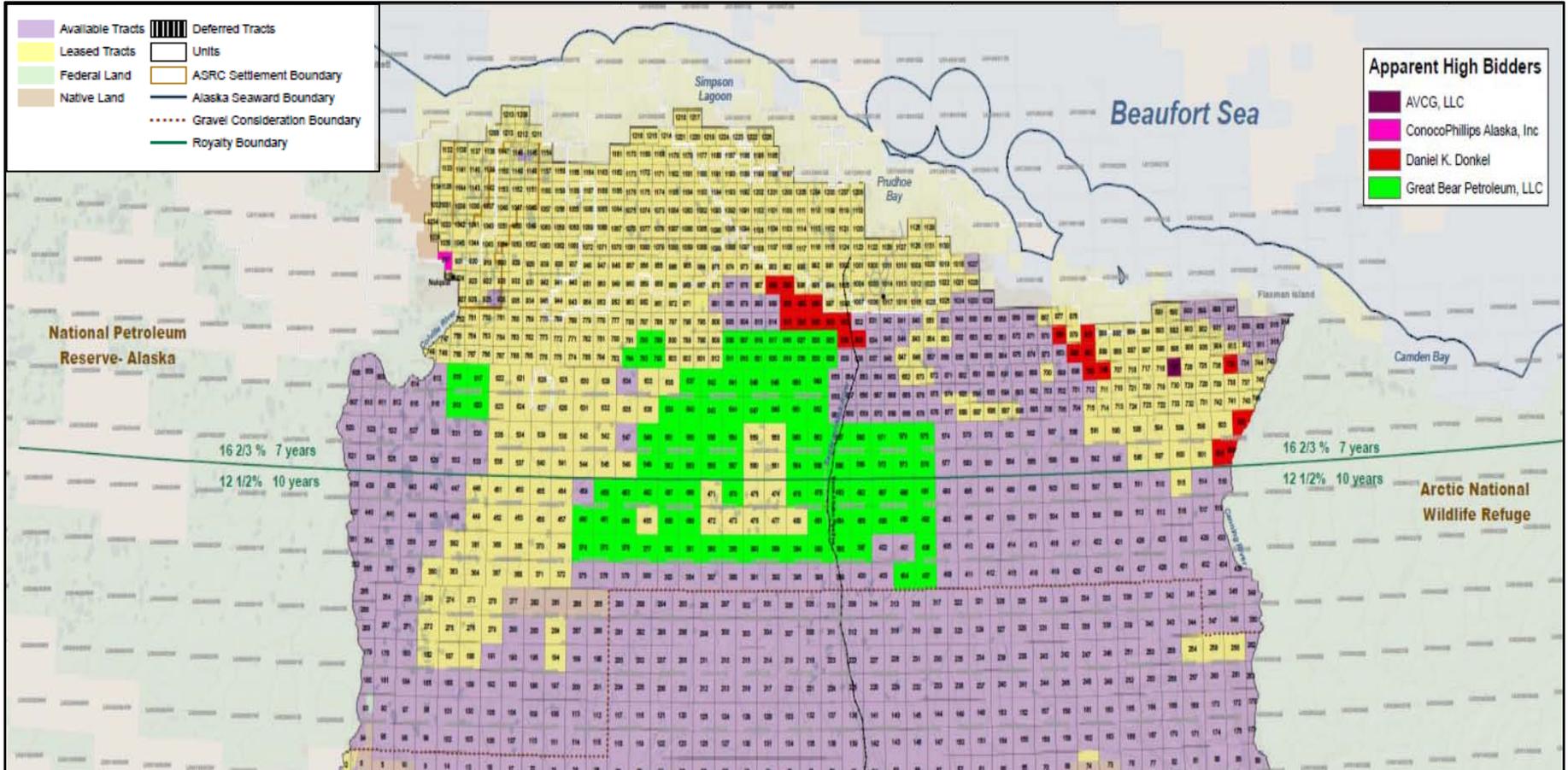
HB 110: Major Impacts on Great Bear Petroleum

- Extension of tax credits to the North Slope
- Tax credits can be claimed in a single year versus two years
- **Reduction of production tax burden improves our commercial model reducing the risk to critically needed capital investment for full development**

Great Bear's ability to deliver on its strategy is dependent on the commercial environment within the State of Alaska.



High Bidder on 537,500 Acres in the 2010 North Slope Areawide Lease Sale



Great Bear's is targeting unconventional oil and gas from the source rocks beneath the North Slope providing a long term strategy for Alaska.



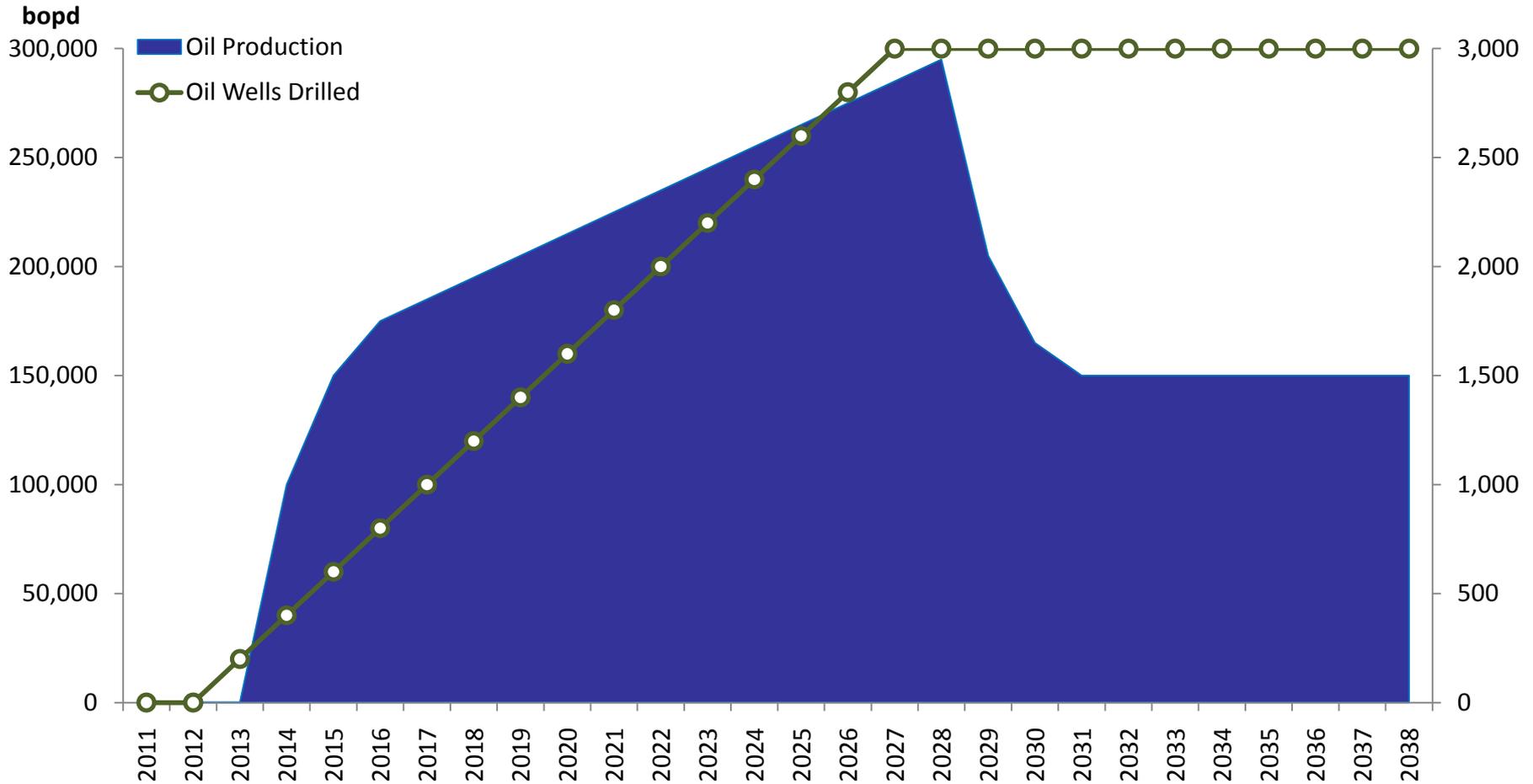
Great Bear's Vision

- Great Bear is leading the industry toward **development of unconventional oil and gas** resources from known, prolific source rocks on the North Slope.
- Development of this resource can secure the energy and economic future of Alaska for the next 50+ years.
- Great Bear is targeting near-term oil production delivery to TAPS.
- Longer term gas resource development will require a broader North Slope gas development strategy including LNG exportation.
- We will employ proven drilling and completion technologies developed in the Lower 48.
- We are committed to working with the State, the communities and our peers to shorten development timelines. We are singularly focused on the Alaska business development.
- We are committed to operating in a safe, environmentally responsible manner and desire to be recognized as a great corporate citizen by the State and the communities where we do business.
- We have an aggressive program that supports **250 wells per year for 20 years** starting 2013.
- We believe we can deliver **minimum steady state oil production of approximately 150,000 barrels of oil per day** with a significantly higher peak production rate. We believe we can reverse the States decline and grow production.

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Great Bear Petroleum Potential Oil Production Profile



Assumptions:

200 wells per year over 15 years, commencing 2013. EUR per well 700,000 bbls.
 Wells average 500 bopd for year 1, 250 bopd year 2, 125 bopd year 3 then held steady at 50 bopd for 20 years.
 Year round "roads to resources" access for operations



Conclusions

- Current policy has not addressed declining production nor reinvigorated exploration activity.
- HB 110 **focuses on encouraging increased oil production immediately** and will aid Great Bear in attracting critical capital to deliver on its stated strategy.
- HB 110 encourages and supports new exploration activity. Alaska's future lies in the **discovery and development of new, long term oil production** into TAPS and **development of globally significant gas resources**.
- HB 110 and further direct investment by the State in supporting development infrastructure, such as “roads to resources”, will encourage required investment of capital to support the development of these higher cost, higher risk but **long term resources**.
- **Great Bear believes that reasonable solutions can be agreed and implemented** providing much needed long-term stability to the State.

Fiscal Enhancement is necessary to improve Alaska's relative attractiveness as an investment jurisdiction.