

Brooks Range Petroleum Corporation

Presentation for:

Senate Resources Committee

SB 21

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February 18, 2013

SB 21 Support / Considerations

AS 43.55.023(a)

- ✓ Allows for certificate payment in single year
- Eliminates 023 credits after 12/31/13 (consider extension or .023 (l) redefinition of .025 to include exploration projects)

AS 43.55.023 (l) (suggest adoption for North Slope)

- ✓ Allows 40% capital credit for all intangible well work (consider adoption)

AS 43.55.011 (e)

- ✓ Eliminates progressivity maintains 25% base tax

AS 43.55.023(b)

- After 12/31/13, CFL credits no longer redeemed for cash must apply to tax burden
- ✓ 15 % interest on unused credits

AS 43.55.024(c)

- ✓ Extends Small Producer Credits to 2022

AS 43.55.160

- ✓ Gross Revenue Exclusion
- “Does not contain land that was in a unit on January 1, 2003” (consider adjustment)

✓ Support

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● Consider Adjustment

Reasons for Entering Alaska

- L48 oil price, reduced cash flows, lack of quality prospect inventory
 - In 2000, oil price had dipped to very low levels
 - Lower 48 average wells struggled to generate breakeven cash flow
 - Prospect reserve base was not very attractive
 - Deals were few and those that were being shopped didn't impact CF for risk
- Drivers to Increase Cash Flow
 - Big reserves with high production rates increases cash flow
 - Acceptable cost of doing business
 - Tax policy was not an impact consideration - ELF
 - Expected eventual cycle change in focus with some majors lessening activity and independents entering as occurred in;

Mid-continent, Rocky Mountains, Gulf of Mexico, North Sea

What does Alaska have to offer ??

	ALASKA	LOWER 48
World class reserve base	X →	
Accessible infrastructure		X
Cost environment		X
Relative Oil Price	X ←	
Meaningful SOA credit structure	X	
Impacts of tax policy	?	?
Perception of tax consequences		X
Confidence in a 5 to 10 year business plan		X

Why more players are not in Alaska

3 Key Elements

- Aggressive desire to be in Alaska
- Knowledge base to understand
- Financial capacity to fully execute

What is the Reality

- Most are content with core areas
- High oil price provides superior cash flows
- Established relationships with knowledgeable investors and traditional capital sources
- Insufficient cause to compel a change in their operational focus
- Many would prefer to control own destiny
- Question internal geologic expertise for Alaska
- Deficiencies of staff operational competence
- Lack of fiscal comprehension
- Unable to model minimum 5 year business plan that is consistent
- Current capital commitments on other projects
- Alaska requires **VERY** patient capital
- Perception that majors control and inability or reluctance to compete

“Alaska is an educational process”

Credits have helped keep us in the game

QCE - .023 (a)

Qualified Capital Expenditures

20% QCE tax credit for capital expenditures

50% of credit year 1 other 50% in year 2

Credits do not expire and can be held, sold to third parties or sold back to the state.

CFL - .023 (b)

Carry Forward Loss Credits

25% credit based on calendar year losses

50% of credit in year 1 other 50% in year 2

Credits do not expire and can be sold to third parties or sold back to the state.

SPC - .024 (d)

Small Producer Credit

Small producers (less than 50,000 BOPD)
Entitled to a \$12MM per year production tax credit.

Credit is in effect for 10 years after start of production

(need to start production by 2016 to qualify).

EIC - .025

Exploration Incentive Credits

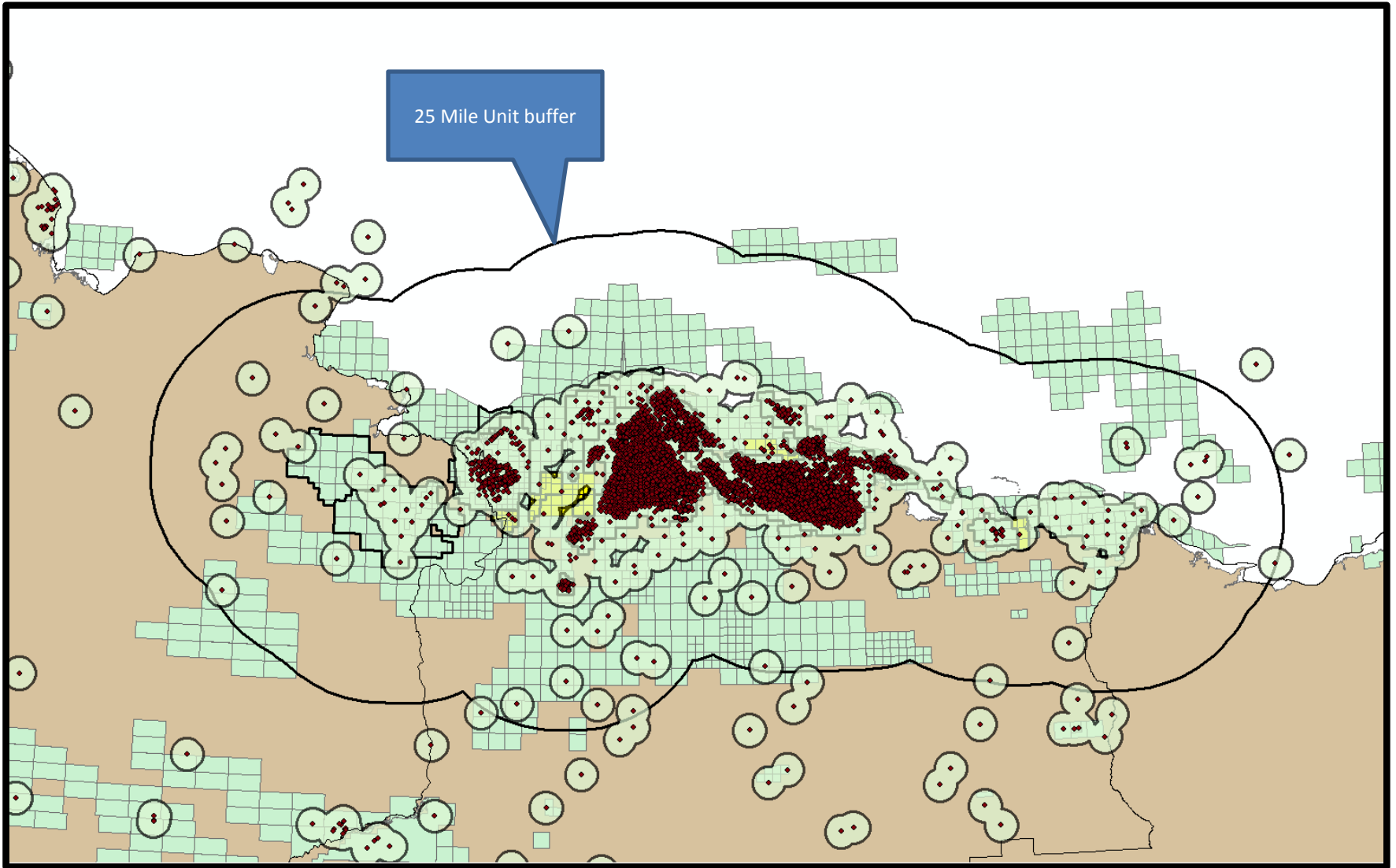
40% credit depending on well location and the prospect traits.

Can take EIC credit or the QCE credits, but not both.

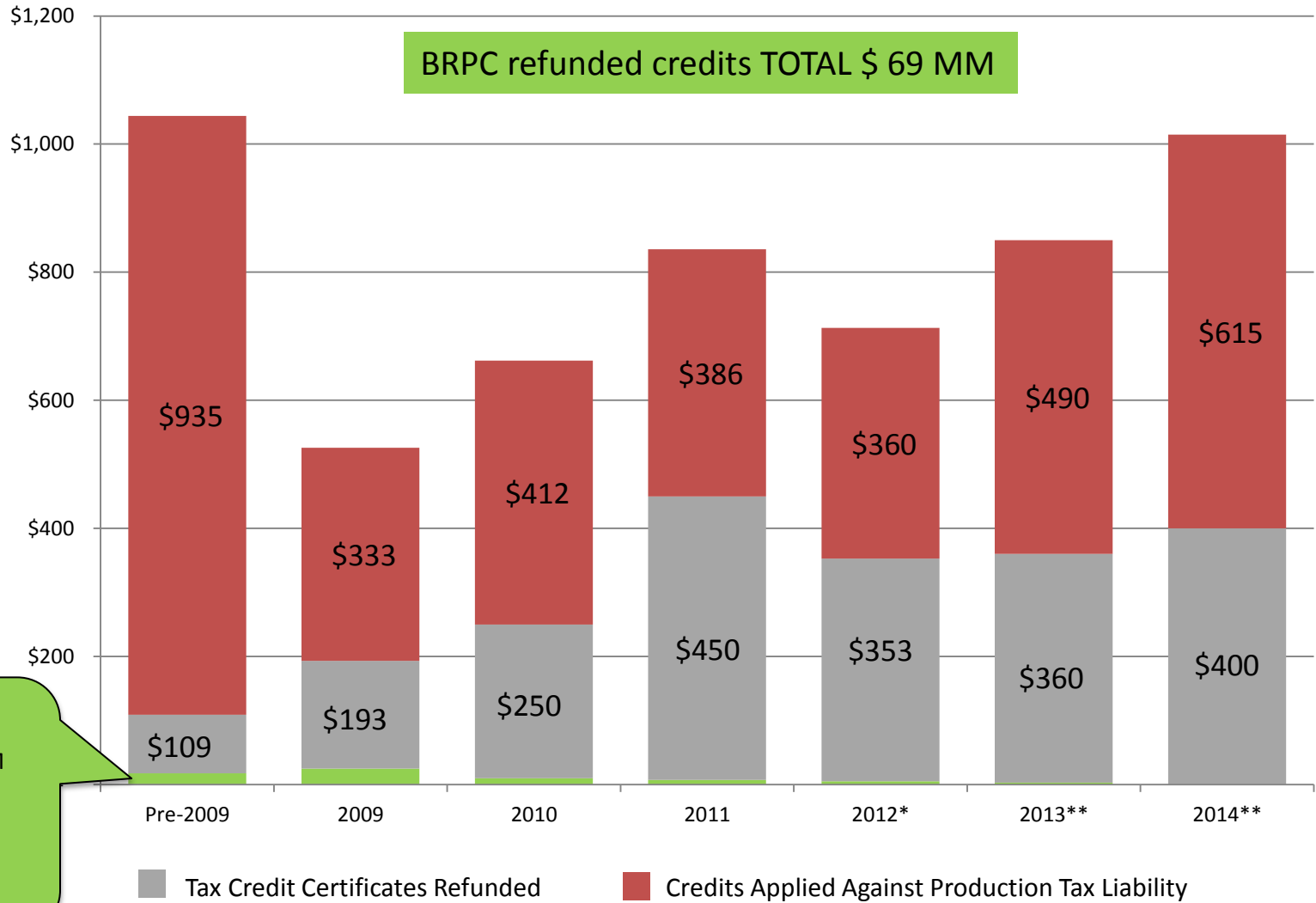
Work needs to be complete by July 1, 2016 to qualify.

BRPC has never received this for exploration wells

AS 43.55.025 Limitations - 25 Mile Unit Buffer With 3 Mile Well Buffer



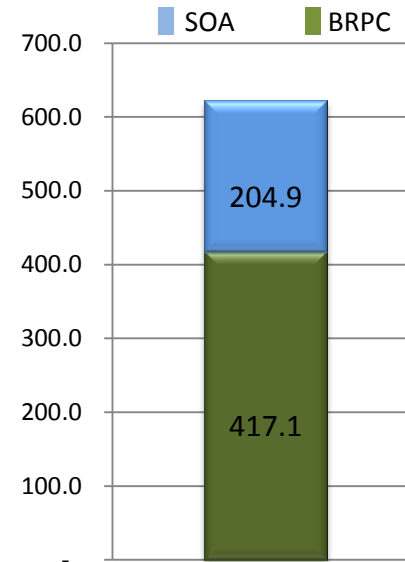
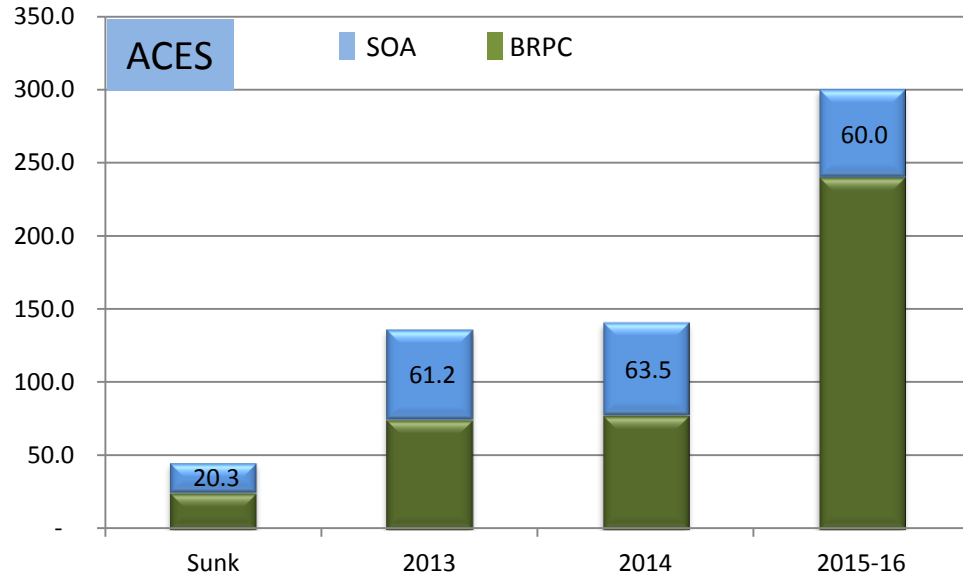
Tax Credits History & Forecast



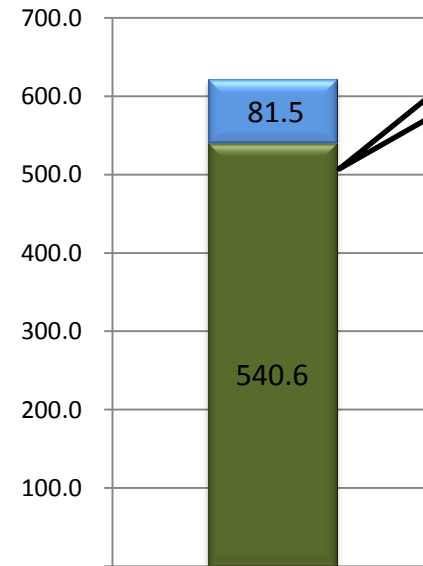
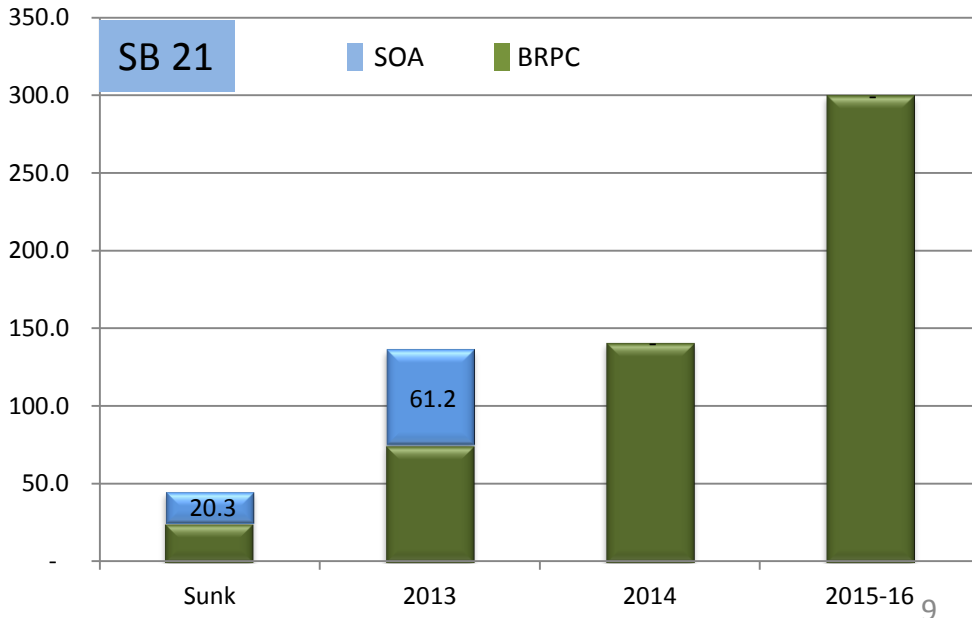
* Estimated pending final true-ups

** Fall 2012 Revenue Source Forecast

Impacts to Mustang Development Funding



Under ACES, Mustang SOA revenues \$ 1.2 B Life of Field



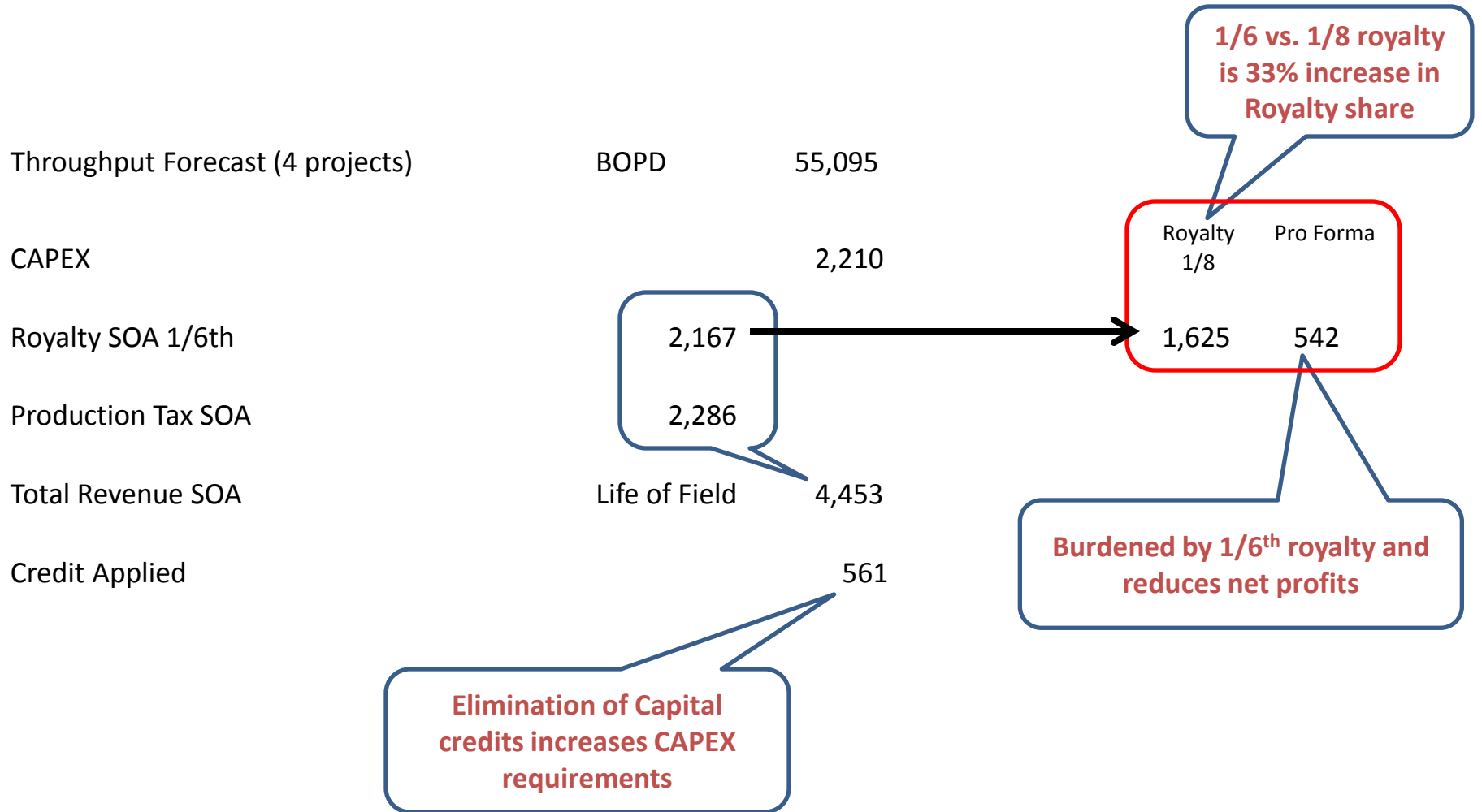
Requires **\$ 123.4 MM** additional funding not planned in sanction process

Forecast by Development Project

	Peak Throughput	SOA Rev. (B)
Mustang Development	14,806	1.2
Appaloosa Development	12,722	1.0
Tofkat Development	8,667	0.7
Beechey Point Development	12,000	0.9
Badami Expansion	6,900	0.6
<hr/>		
	55,095	4.4
Annual Average SOA Revenues		0.293
10 new entrants replicated		10
Annual Average SOA Revenues		2.933

**Includes \$ 561 MM
in credit support**

Combined Development Projects and Throughput Forecast



One Size Does NOT Fit ALL

- Legacy Tier.....
- Mid-size Production and Development Tier.....
- Exploration and Discovery Tier.....
- New Entrants Tier.....

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