

# North Slope Oil Tax Credits

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## Senate Working Group Presentation

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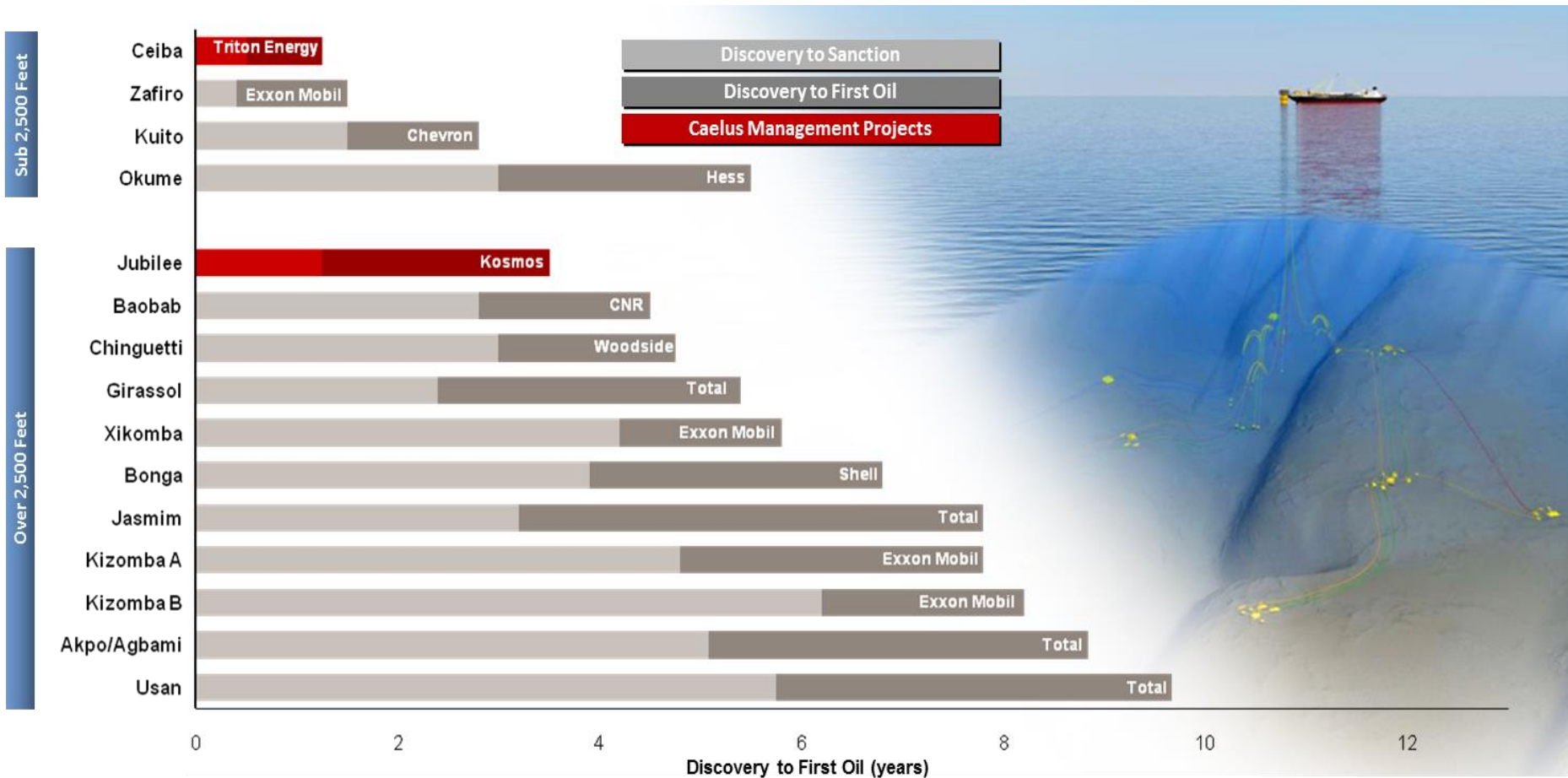
October 13<sup>th</sup>, 2015



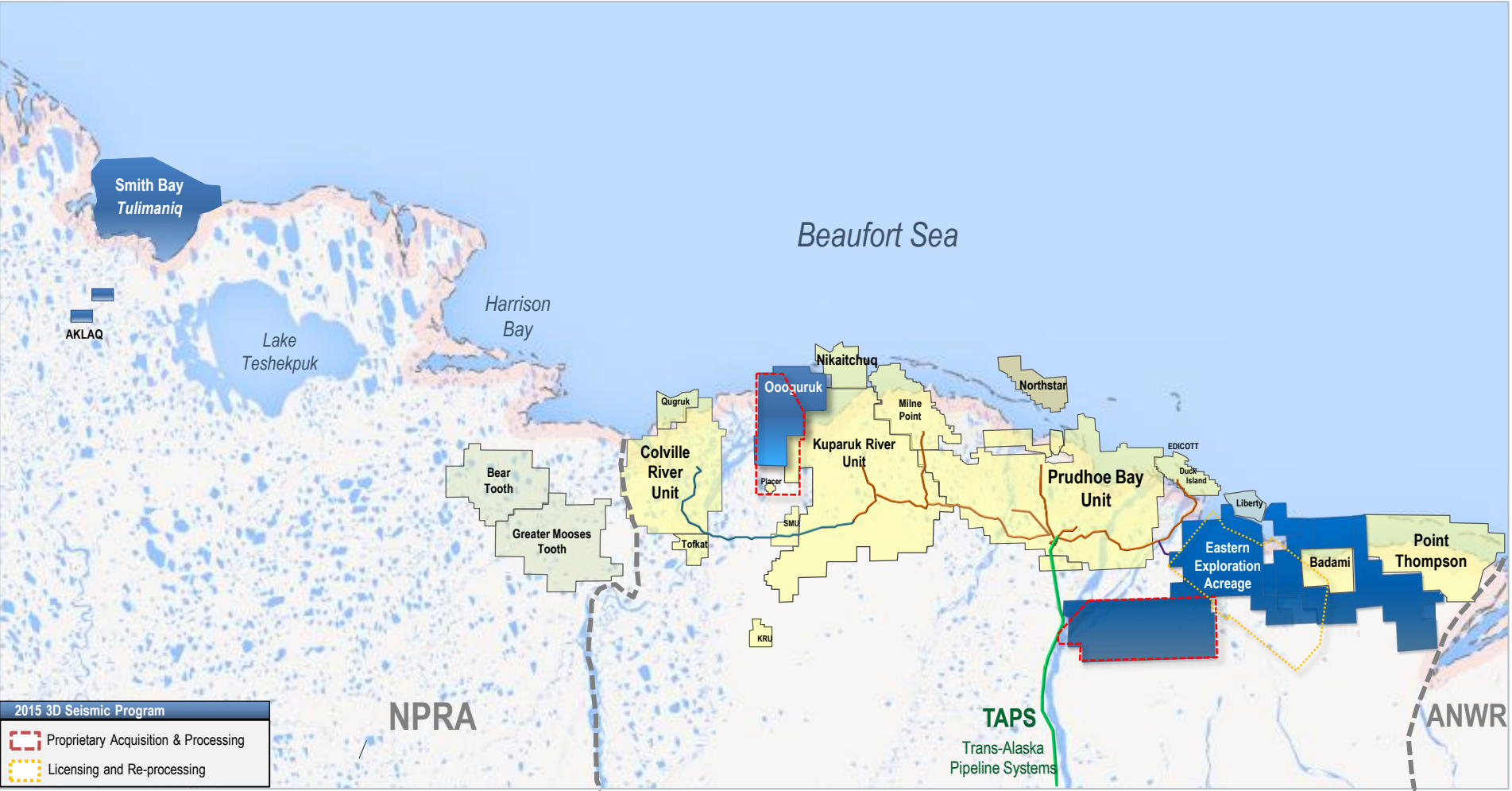
- Privately-held E&P company formed in 2013 to pursue large-scale exploration and development opportunities on Alaska's North Slope
- Strong equity sponsorship from Apollo Global Management
- Seasoned Management team with proven track record, led by CEO Jim Musselman
- 80 + full-time Alaska employees
- Acquired 100% of Pioneer Natural Resources Alaska ("PNRA") in April 2014
  - Inherited 60+ seasoned operational staff with extensive North Slope experience
  - Alaska Ops team averages over 20 years of experience and has run continuous drilling operations in the North Slope since 2008
- Much of the Caelus team have been working together over 3 decades



Musselman and his team have a of history making world-class discoveries in challenging environments around the globe... and safely and efficiently bringing discoveries to first oil in record time



Source: Wood Mackenzie and SubSea IQ.



Oooguruk Island Drill Site (ODS)



## Oooguruk Drillsite (ODS) Highlights

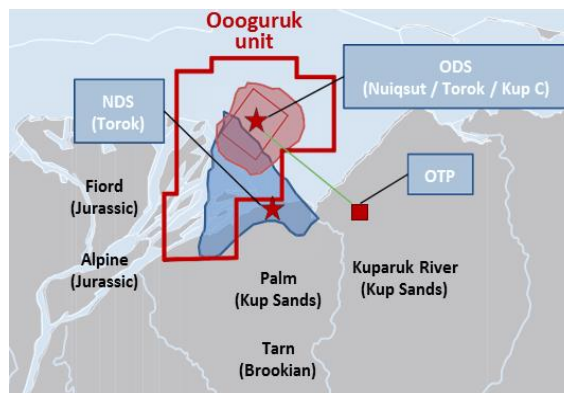
- Caelus holds 70% WI, ~59% NRI (~85% 8/8ths)
- Primary target: Nuiqsut Reservoir (Jurassic)
  - Shoreface sands similar to the Alpine field comprises majority of resource
  - Additional producing intervals, Kuparuk C sand and Torok, also included in development
- 29 wells drilled (22 producers/16 injectors/1 disposal well)
- Net reserves of approximately 67 MMBO
- Peak net production in excess of 10 MBOPD anticipated in 2020
- \$250+MM budget through 2018
- Recent significant increase in IP rates due to implementation of multi-stage mechanical fracs

Onshore Tie-in Pad (OTP)



## Onshore Tie-in Pad (OTP) Highlights

- Delivery point of ODS and (future) NDS production
- Meters liquids and connects to neighboring Conoco processing facilities
- Electrical generation, compression and logistical staging for drill sites



Nuna Drill Site (NDS)



## Nuna Drillsite (NDS) Highlights

- Caelus holds 100% equitable interest
- Primary target: Torok Reservoir (Cretaceous-Brookian)
  - Two exploration wells confirm reservoir deliverability and facies continuity
  - 2013 Torok test of 2,800 BOPD from first development well
- 102 MMBO gross 2P reserves
  - Phase I: 30 wells (15 producers/15 injectors)
  - Additional potential from extended reach wells in Torok as well as other proven intervals
- Onshore development allows year-round operations; power and pipelines connected through OTP
- Approximately \$1.25 Billion in facilities and development capital
- Recently completed construction of 22-acre Nuna Drill Site gravel pad (pictured above)



## Project Overview

- 75 % WI owner and operator
- 26 leases / ~117,000 acres
- True billion barrel potential
- High quality 3D seismic
- Stacked turbidite fans
- Extremely remote location

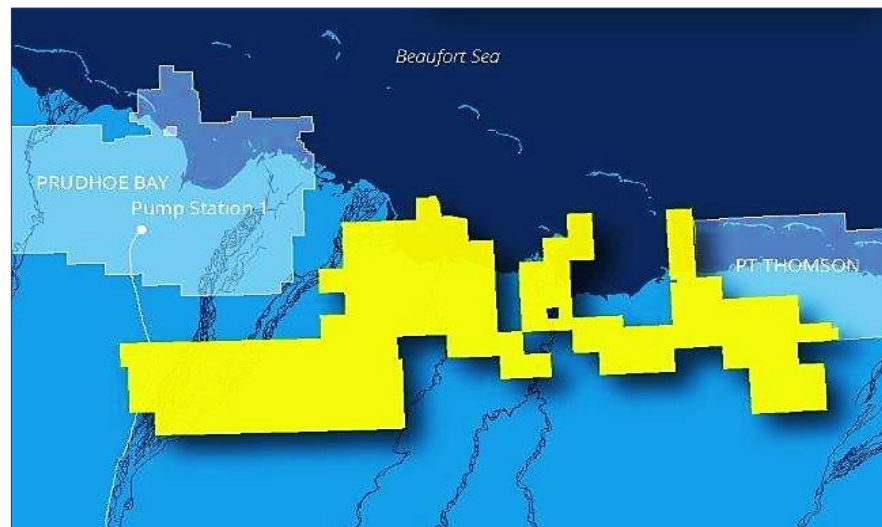


- 1-2 exploration wells planned
- 400+ contractor jobs
- Doyon Arctic Fox rig mobilized by barge
- Received pre-approval for .025 exploration credits (EIC)



## Substantial Acreage Position Between Pt Thomson and Prudhoe Bay

- 323,000 acres acquired in November 2014 lease sale
- Acquired ~23,000 from Donkel in 2014
- 167 sq. miles of high resolution 3D seismic acquired in 2015
- ~ \$24 Million labor intensive program
- Additional 3D acquisition likely in 2016
- Numerous Brookian Turbidities identified on 2D
- High resolution 3D data to enable targeted prospecting



Initial exploration drilling anticipated to  
in 2017

DNR and Alaska are recipients of  
seismic data

Massive ANS resource potential is widely known... So why don't more companies invest in Alaska?

- Commonly held investor perceptions:
  - “Land of the Majors”, inaccessible to smaller independents
  - Too expensive, too cold, too remote etc...
  - Complex, historically fluctuating fiscal regime (4 taxation systems in the past 10 years)
- Higher perceived risk makes it difficult to divert investment capital from lower 48 shales



- SB21 made Alaska more competitive
  - Elimination of progressivity aligned the risk-reward more appropriately; Under current oil price environment State is much better off with SB-21 than under ACES
  - SB21 was critical to Caelus' success in obtaining the first large scale equity commitment, and becoming a portfolio company of a top tier PE group such as Apollo
- The significance of tax credit programs cannot be overstated
  - Tax credits encourage new exploration and investments, which results in activity and employment
  - Smith Bay exploration program would not have happened without EIC credits (.025)
  - Carry Forward Annual Loss credits (.023) are critical for new developments (e.g. Nuna)
  - Credit programs support continued Oooguruk development

