

Caelus Activity Update

House Finance Committee
HB 111



March 22, 2017

J. Patrick Foley, SVP Alaska Operations

North Slope Exploration & Development Program



Smith Bay Exploration Tulimaniq



Oooguruk Unit (ODS/OTP)



Nuna Drill Site



Eastern ANS Exploration Acreage



Nuna Oil Development Overview

Overview

- ❖ Caelus holds 100% interest
- ❖ 2 wells confirm reservoir deliverability
- ❖ 2,800 BOPD flowed from 1st Torok well
- ❖ 100 – 150 + MMBO 2P reserves
- ❖ 20,000 to 25,000 BOPD peak production
- ❖ Completed 22-acre NDS drill pad & road
 - 600,000 CY gravel / 27,000 loads



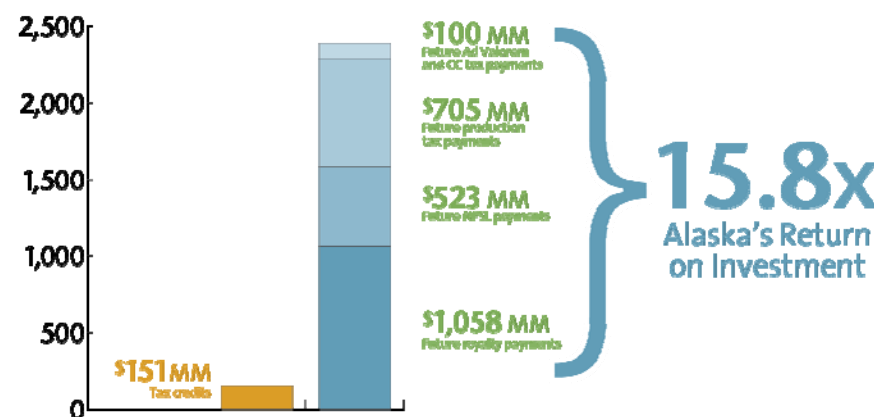
Economic Impact

- ❖ 300 FTE contractor construction /drilling jobs
- ❖ \$2.2 Bn in royalties and taxes

Next Steps

- ❖ Investor Confidence: Legislature
- ❖ Modules / Flow lines

Economic Benefits of NUNA



Smith Bay - A World Class Discovery

Overview

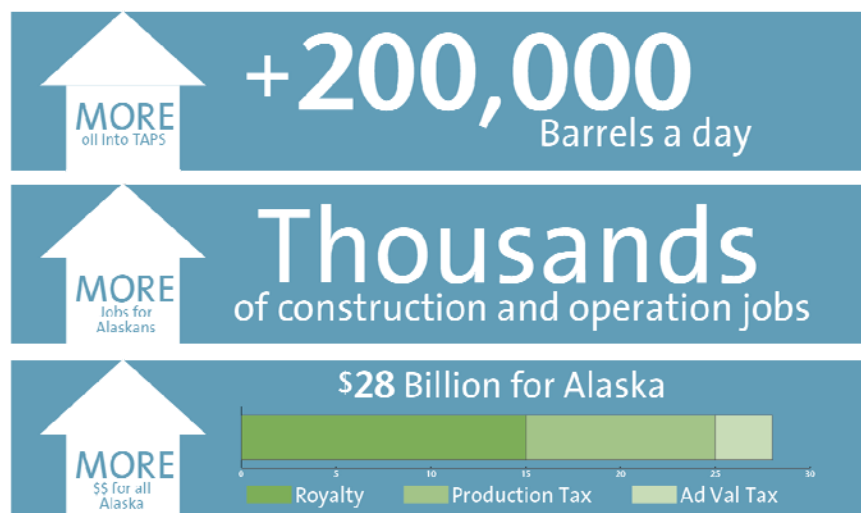
- ❖ Multiple Brookian fan complex spanning 300 mi²
- ❖ ~1,000 feet of gross pay encountered in two wells
- ❖ ~200 feet of net pay encountered in CT-1 and CT-2
- ❖ Log & Lab analyses confirms:
 - Oil ranging from 40-45 ° API gravity
 - 1.8 -2.4 Bn BBL net recoverable oil

Economic Impact

- ❖ Thousands of construction jobs at peak
- ❖ \$28 Bn in royalties, taxes and wages
- ❖ 200,000 BOPD peak flow

Next Steps

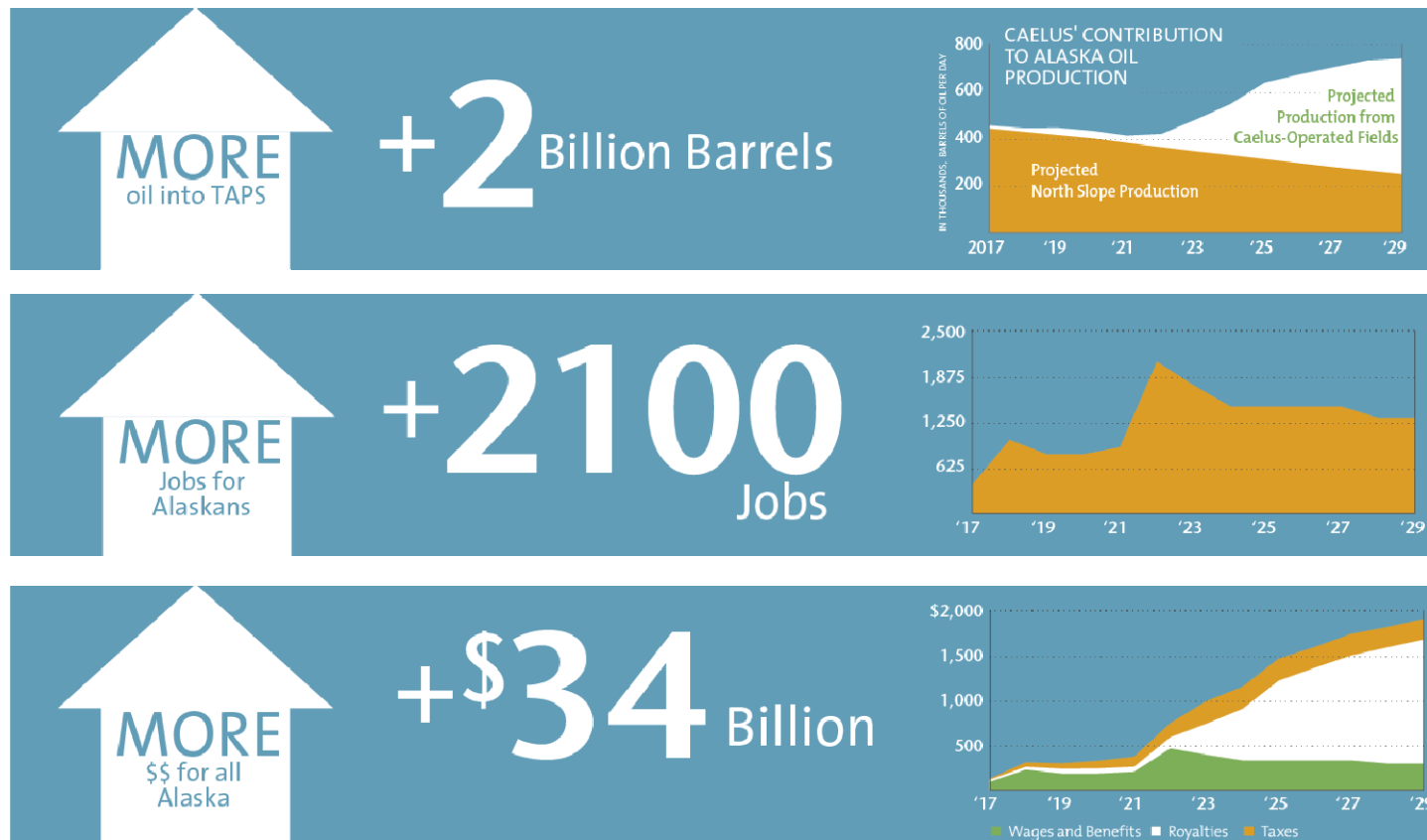
- ❖ 2018 winter appraisal well being planned
- ❖ Environmental studies
- ❖ Continued community engagement



Caelus Projects: Lasting Economic Impacts for Alaska



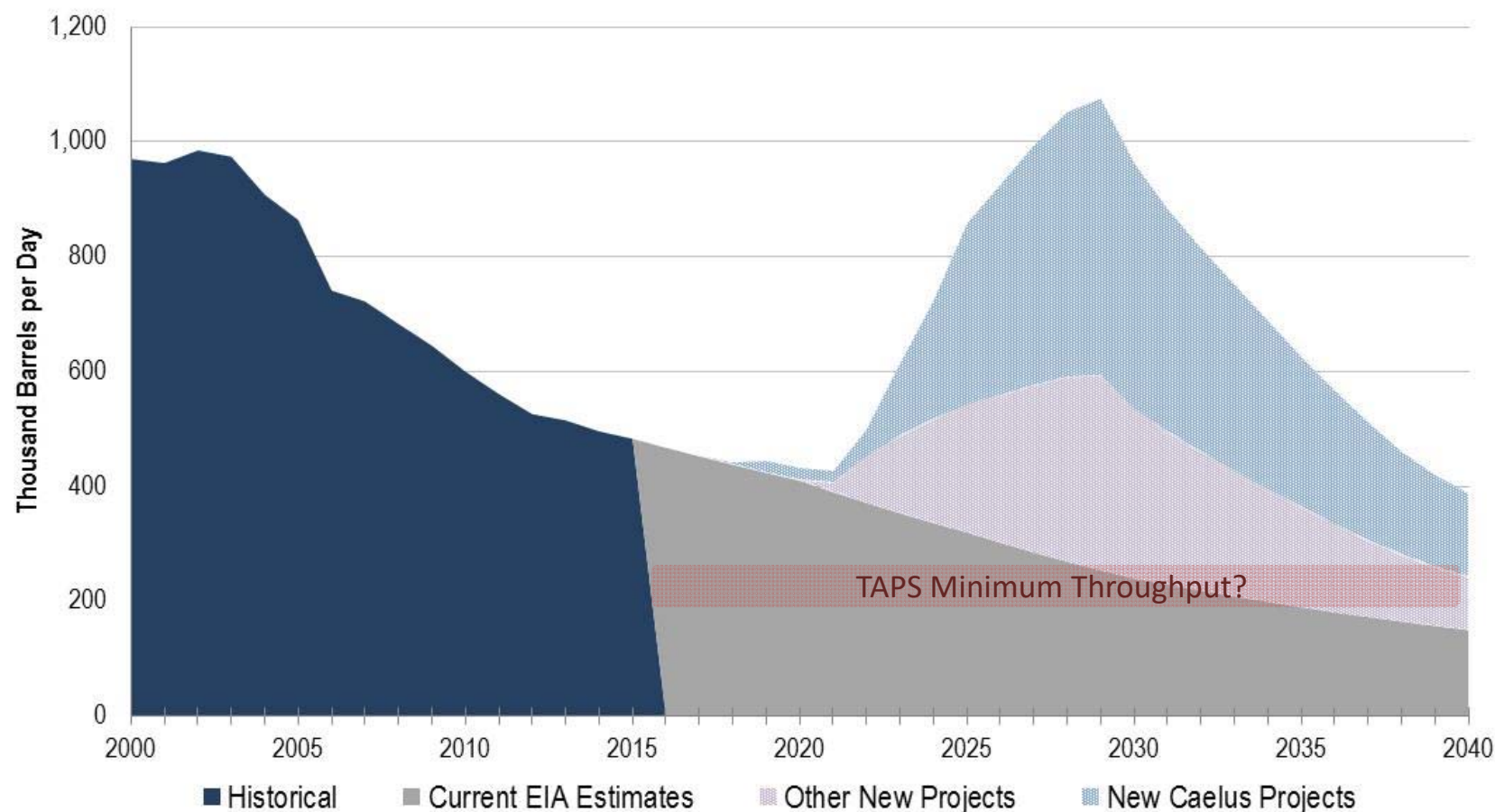
Caelus projects could help produce a new age of renewed North Slope activity and production for the benefit of all Alaskans



Alaska Oil Production with New Investment

With new capital investment the oil industry will find new oil and increase production which will ensure Alaskans maintain a very bright future

Alaska Oil Production 2000 - 2040



Sources: EIA Estimates from Annual Energy Outlook 2016
Estimates for Other New Projects from publically available data and press releases

“... elimination of the NOL would have made it harder for independents to proceed with their projects”

Tax Director Ken Alper, Alaska Department of Revenue
Senate Resources Committee, February 1, 2017)

Alaska: great rocks but high costs – “These risks need to be offset by favorable tax features”

“New players should be encouraged to increase activity ... they bring a fresh perspective”

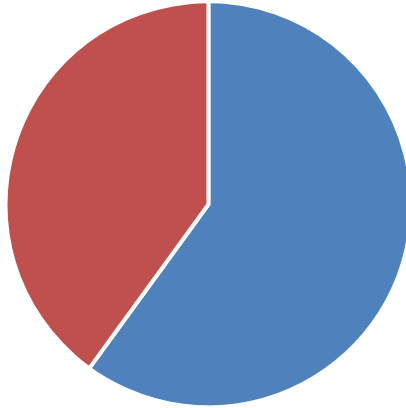
“Every regime, everywhere you go, allows, especially with a development like Smith Bay, everyone who develops gets to deduct the cost of what it took them to get that production from future revenues from that project. Every regime.”

“To deny that would really move Alaska to the bottom of the competitive scale. “

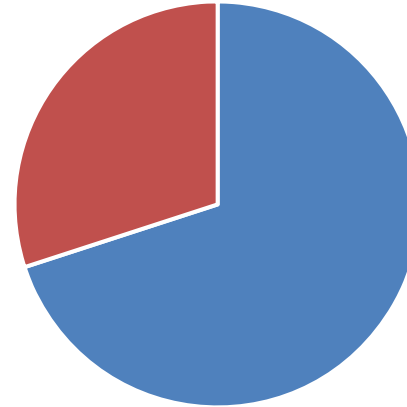
Rich Ruggiaro, Castle Gap Advisor
Senate Resources Committee, various dates, 2017

Alaska's Future - Which slice do you want?

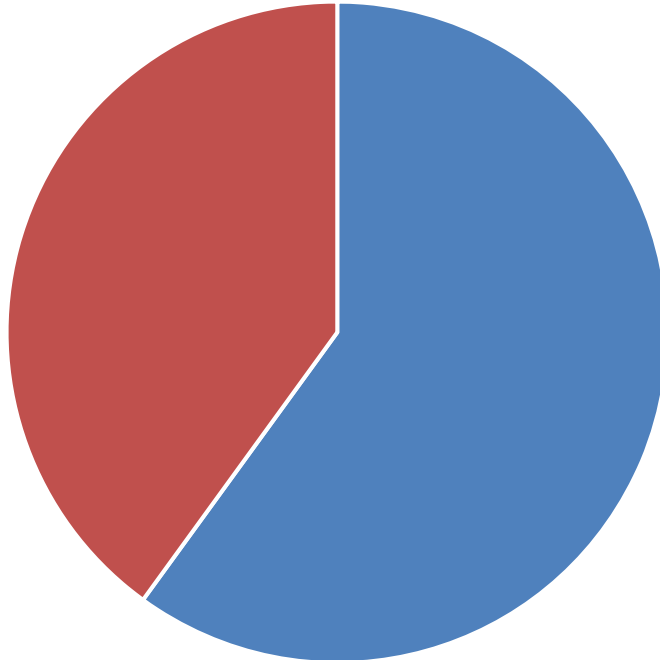
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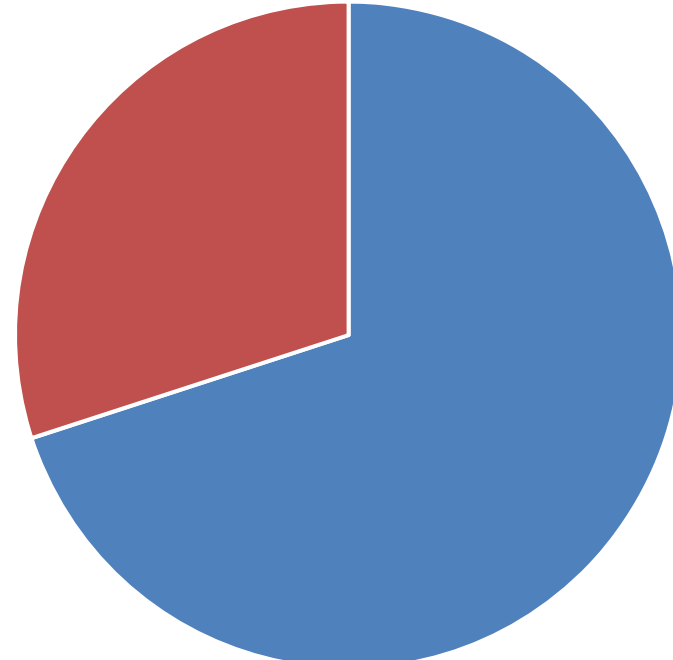
HB111 No Growth, No Loss



Current Tax Policy w/ Growth

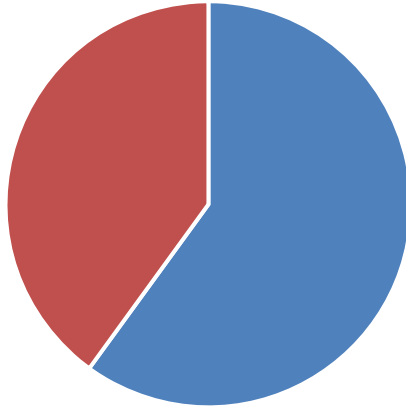


HB111 w/ Growth



Alaska's Future - Which slice do you want?

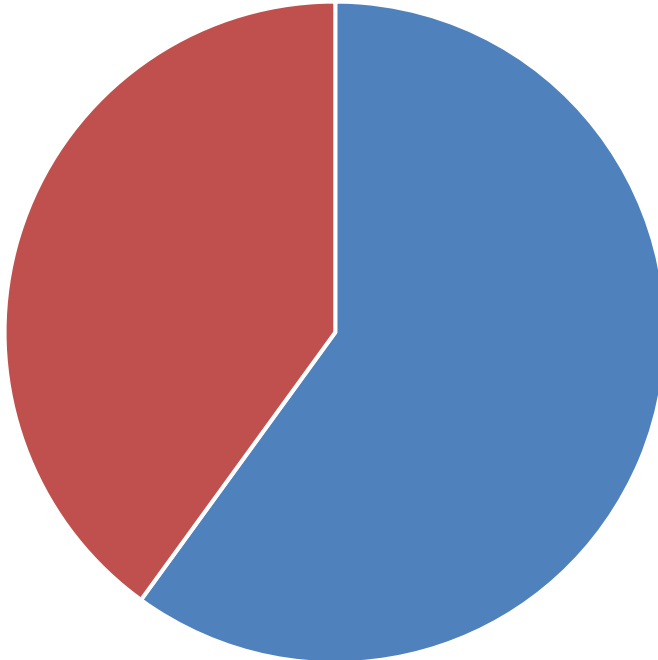
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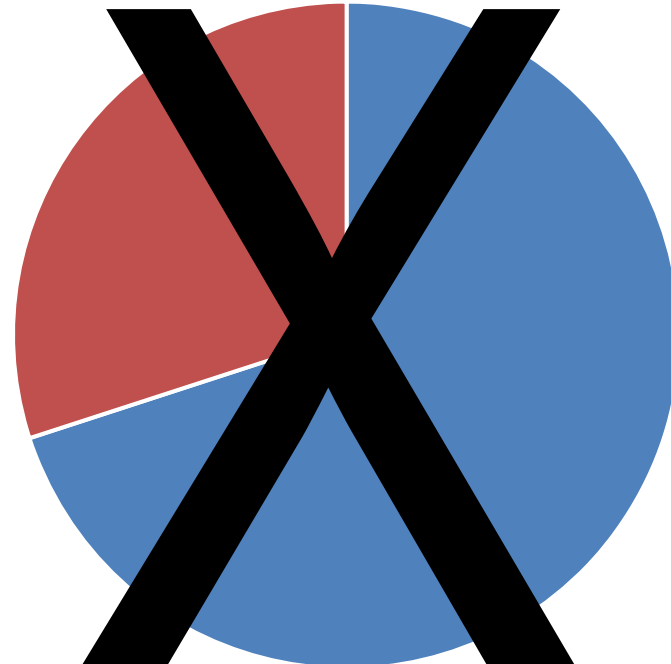
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Current Tax Policy w/ Growth



HB111 w/ Growth



HB 111 Will:

- ❖ Increase barriers to entry
- ❖ Negatively impact new developments
- ❖ Make Alaska less competitive for new investments
- ❖ Generate short term gains but harm long term fiscal health

HB 111 Will Not:

- ❖ Attract future investment
- ❖ Help new developments come online
- ❖ Put more oil through TAPS
- ❖ Put more Alaskans to work

Alaska's Future is our Future: Let's Get To Work!

