

Senate Finance Committee

Jeff Hastings

Chairman, Chief Executive Officer

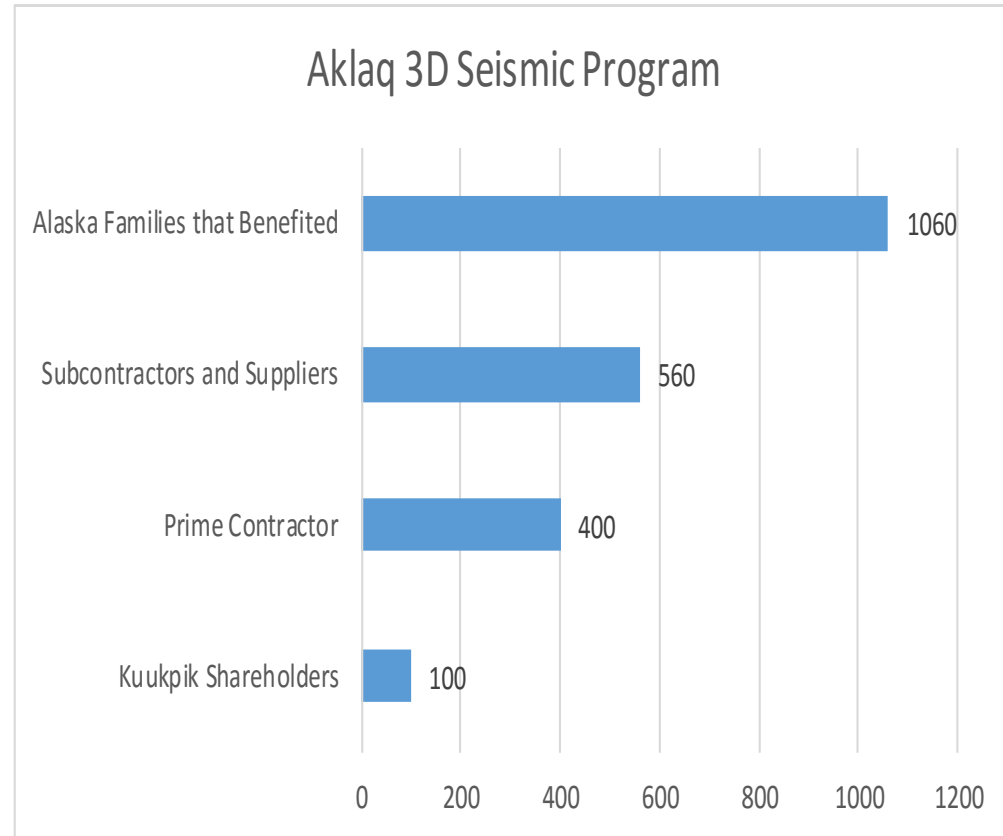
Managing Partner

April 28, 2017



Kuukpik - SAE – Born in Alaska

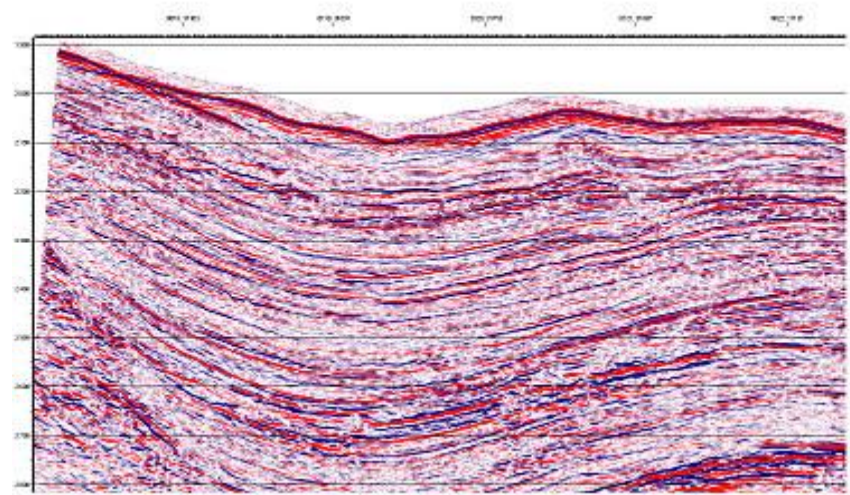
- Our team has been partnered with the Kuukpik Corporation for the past 20 years
- The company employs an average of 400 people per year
- The Kuukpik-SAE JV is a consistent revenue source to
 - ◆ Kuukpik Corporation and its shareholders
 - ◆ The village of Nuiqsut
 - ◆ The hundreds of Alaskan families that benefit from each program
- **We are committed to preferentially hire Native Alaskans, Alaska residents and Alaskan Contractors**
 - ◆ We are proud of our **80%+ Alaskan hire** rate



Aklaq generated \$57 million in revenue \$49 million of which was earned by Alaskan contractors and suppliers

Our Core Business – Collecting Seismic Data

- Seismic Operations are the pointy end of the spear – we create the data so exploration wells can be drilled
- Seismic data is critical information, essential to the success of an exploration program
- Recently, use of new technology is producing higher resolution images of the subsurface
 - ◆ Information that is a direct correlation to the new discoveries which have recently been announced
- The information gathered from the seismic data is critical to finding new opportunities, new reserves to sustain us into the future.

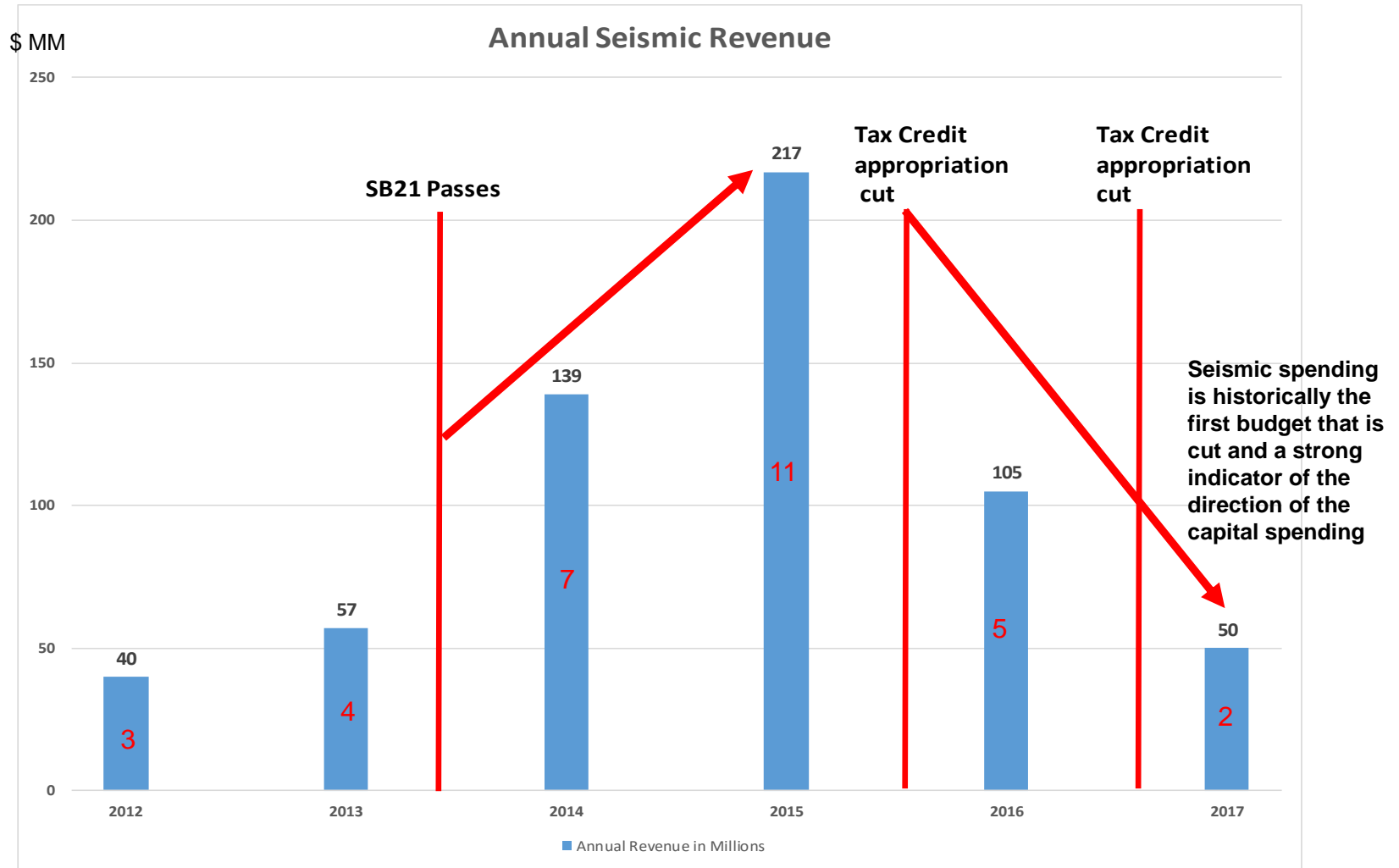


Why is Seismic Exploration Different?



- **We do not drill for or develop oil**
 - ◆ *We do the CAT scan.....we are not the surgeons*
- When the Tax Credit Program was created by the State and affirmed by the voters—we started and completed several multimillion dollar projects under the program
 - ◆ Special provisions were written for .023 and .025 credits specifically to incentivize companies to collect seismic data because without it, there is less exploration drilling
 - ◆ Seismic is treated differently because the companies that pay to have seismic collected may not be the company that will ever drill wells.
 - ◆ The State receives something of immediate value when Seismic tax credit projects are completed and the data is delivered.

Historical Seismic Investment



The Impact of HB 111 SRES CS on Kuukpiik/SAE

- 120 day clock on seismic .025's is a great start
 - ◆ Our applications are simple
 - ◆ Once data is delivered and verified by the DNR, DOR has the ball
 - Both of these tasks should be able to run in parallel
- Bill language does not fully address DOR Tax Division Advisory Bulletin 2017-01
 - ◆ This bulletin destroyed the secondary market for pure seismic explorers
- Expand the corporate income tax language
- Set a payment schedule

The State of Alaska created a program to incentivize the seismic industry to invest millions and hire thousands of Alaskans. Our work is the first step in putting more oil down the pipeline. We played by the rules you set out and now we need the State to live up to their end of the deal.

The Reality

- For SAE, the delayed tax credit payout forced the company to a crossroads
 - ◆ Option 1: seek protection under the chapter 11 bankruptcy code and leave all our Alaska vendors hanging
 - ◆ Option 2: restructure the company and work with our Alaskan subcontractors and suppliers to find a way to extend payments
- We chose to restructure – eliminating 98% of our shareholders equity, the majority of which was held by employees, many of whom are Alaskans

We are Alaskans and are committed to staying



The village of Nuiqsut



SAE's Alaska HQ in South Anchorage

Thank You

