

Caelus Activity Update

House Resources Committee

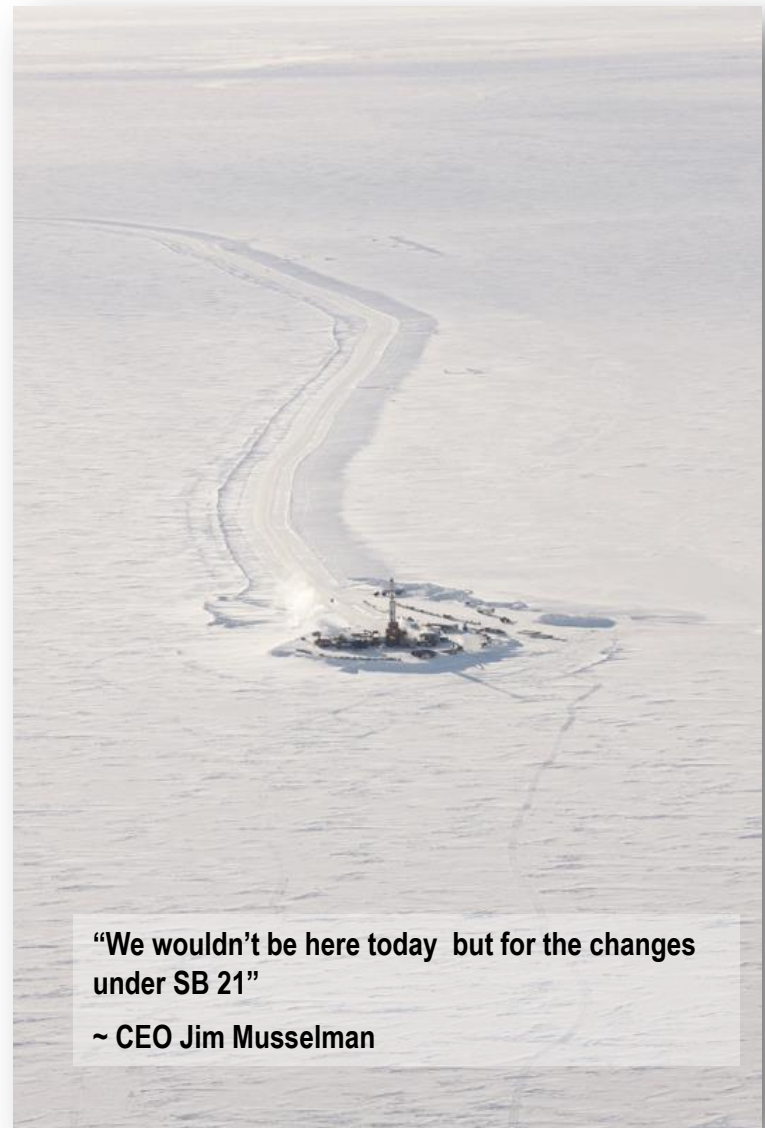


February 1, 2017

J. Patrick Foley, SVP Alaska Operations

Proven Explorer and Developer

- ❖ Privately held E&P company formed to pursue Alaska's North Slope opportunities
- ❖ Seasoned team with strong Apollo Global Management equity sponsorship
- ❖ Worldwide successes
 - Triton (W Africa, S America)
 - Kosmos (Ghana)
 - Pioneer (Alaska)
- ❖ Significant Alaska North Slope experience & assets
 - 100% Caelus operated
- ❖ Over \$2 billion invested in Alaska to date
 - \$300 million 2016 capital budget
- ❖ Attracted to Alaska
 - Abundant land and resources
 - Competitive oil tax system – SB 21



"We wouldn't be here today but for the changes under SB 21"

~ CEO Jim Musselman

North Slope Exploration & Development Program



Smith Bay Exploration Tulimanig



Oooguruk Unit (ODS/OTP)



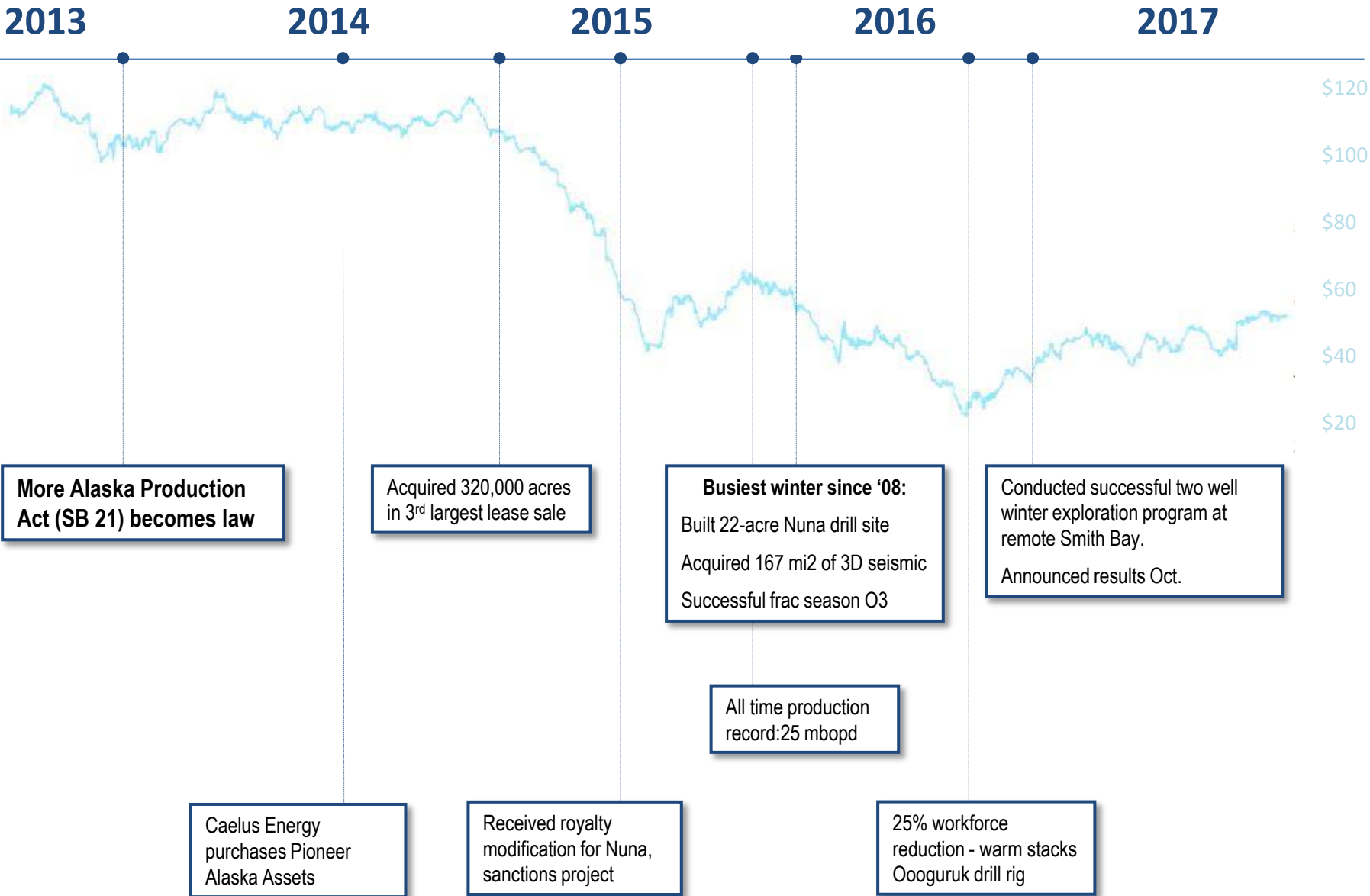
Nuna Drill Site



Eastern ANS Exploration Acreage

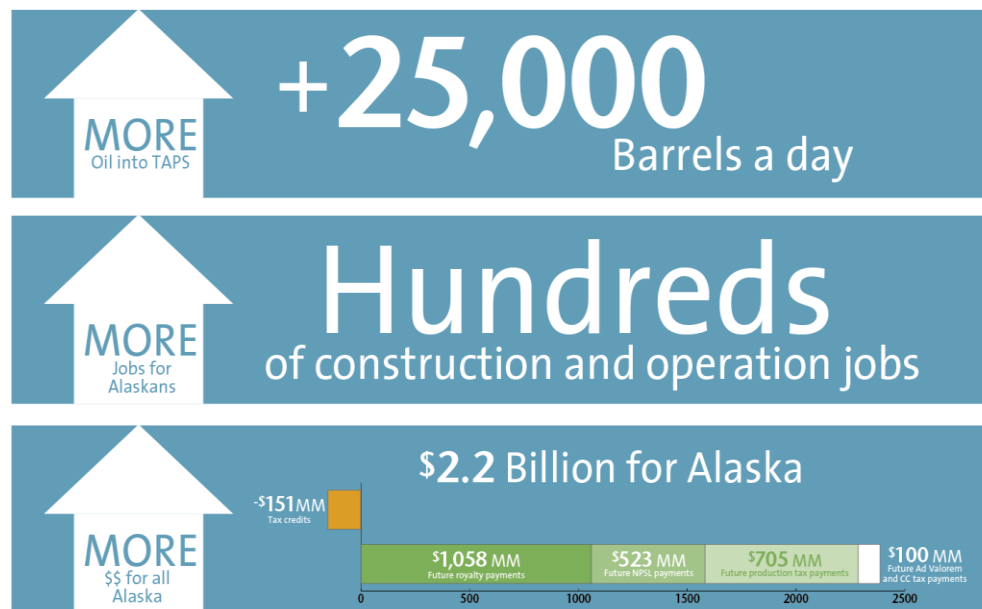


Caelus Energy Major Milestones since SB 21



Quick Facts

- ❖ Caelus holds 100% interest
- ❖ 2 wells confirm reservoir deliverability
- ❖ 2013 Torok Test 2,800 BOPD from 1st development well
- ❖ 100 – 150 + MMBO 2P reserves
- ❖ 20,000 to 25,000 BOPD peak production
- ❖ Completed 22-acre NDS gravel drill pad & access road
- ❖ 300 FTE contractor construction jobs for 2 yrs
- ❖ 300 FTE contractor drilling jobs for 4 to 5 yrs



Nuna Factoid:

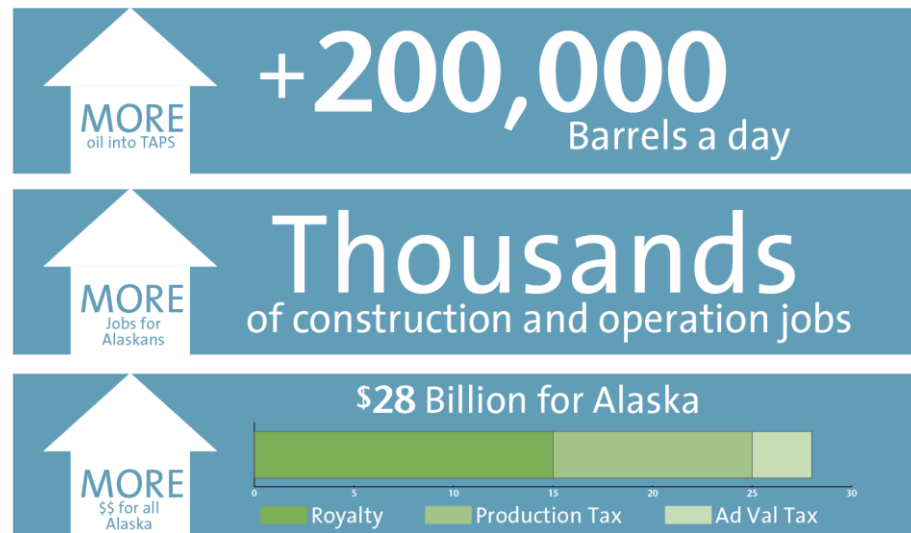
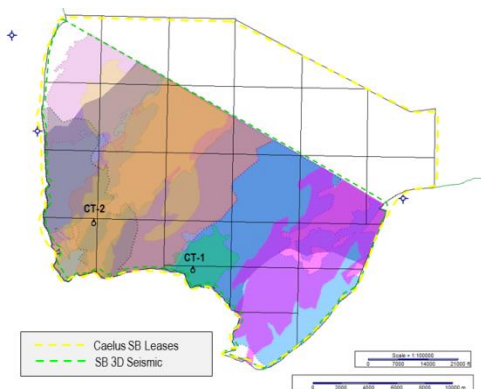
The Nuna drill-pad construction took over 27,000 loads and 600,000 cubic yards of gravel (equivalent to 1,700 football fields).

* Values are undiscounted based upon a Flat \$70/bbl Brent Price Assumption

*Caelus estimates oil in place to be 6 billion barrels under our current leasehold.
The total fan complex may contain 10 billion barrels of oil in place, or more.*

World Class Discovery Could Benefit Alaska

- ❖ Multiple Brookian fan complex spanning 300 mi²
- ❖ ~1,000 feet of gross pay encountered in two well and ~200 feet of net pay encountered in CT-1 and CT-2
- ❖ Log & Lab analyses confirms:
 - The presence of reservoir-quality sandstones
 - Oil ranging from 40-45 ° API gravity
- ❖ 1.8 -2.4 BnBbl net recoverable oil
- ❖ 2018 winter appraisal well being planned

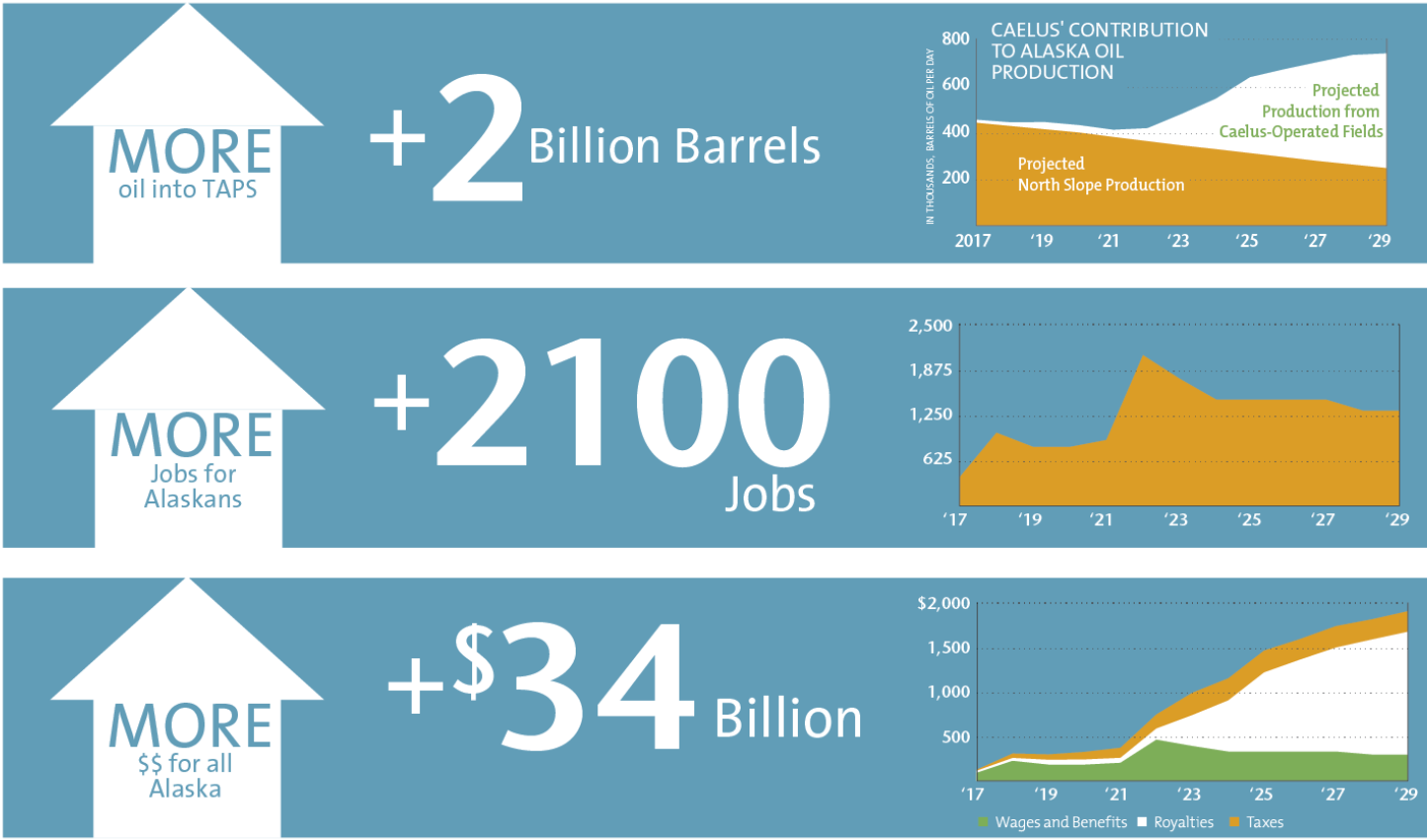


* Values are undiscounted based upon \$70 flat price & 2 BnBO

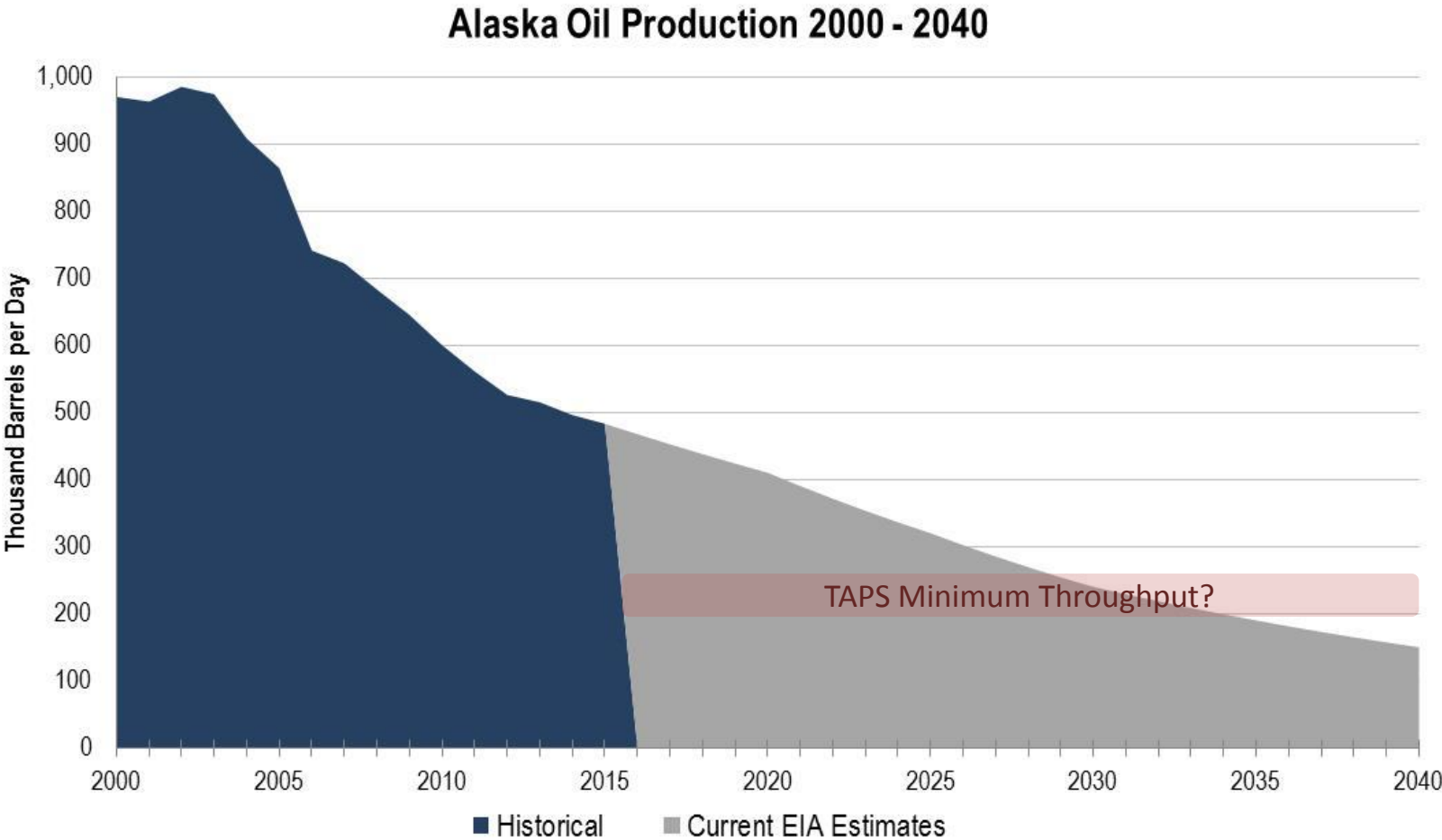
"This discovery has the size and scale to play a meaningful role in sustaining the Alaskan oil business over the next three or four decades. Fiscal stability going forward is critical for a project of this magnitude."

– Caelus CEO Jim Musselman

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



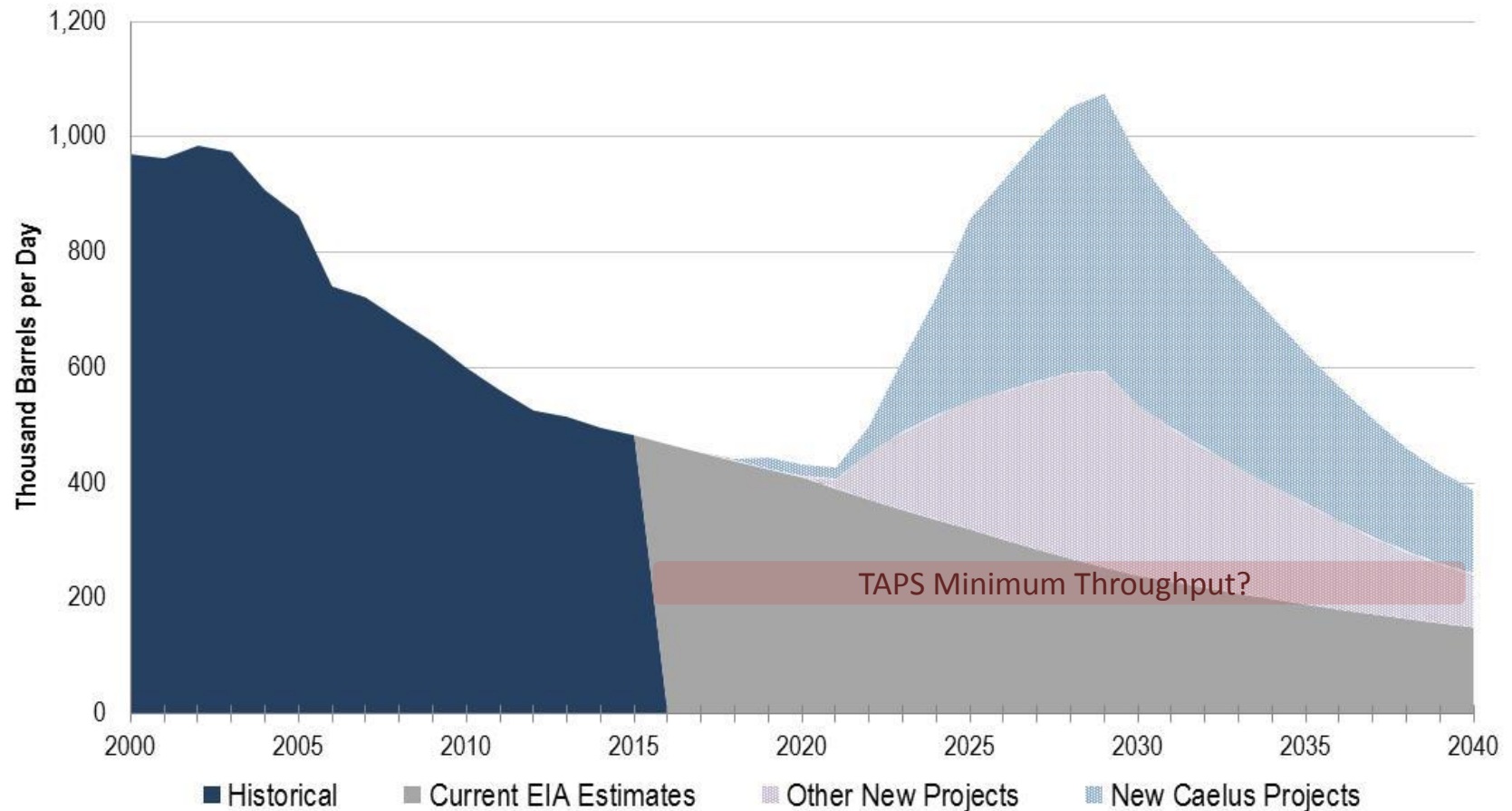
Without new investment the main source of Alaska's revenue will continue to decline and risk complete shutdown of the Trans-Alaskan Pipeline in less than 15 years



Source: EIA Estimates from Annual Energy Outlook 2016

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

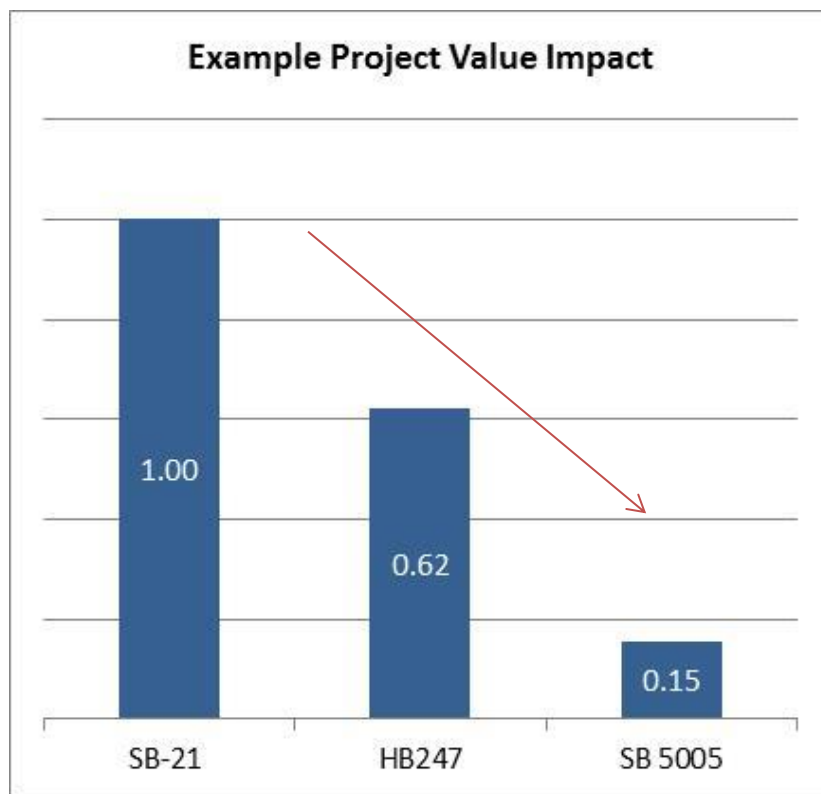
Alaska Oil Production 2000 - 2040



Sources: EIA Estimates from Annual Energy Outlook 2016

Estimates for Other New Projects from publically available data and press releases

Changes to fiscal regime have been detrimental to the value of Producers' asset base....

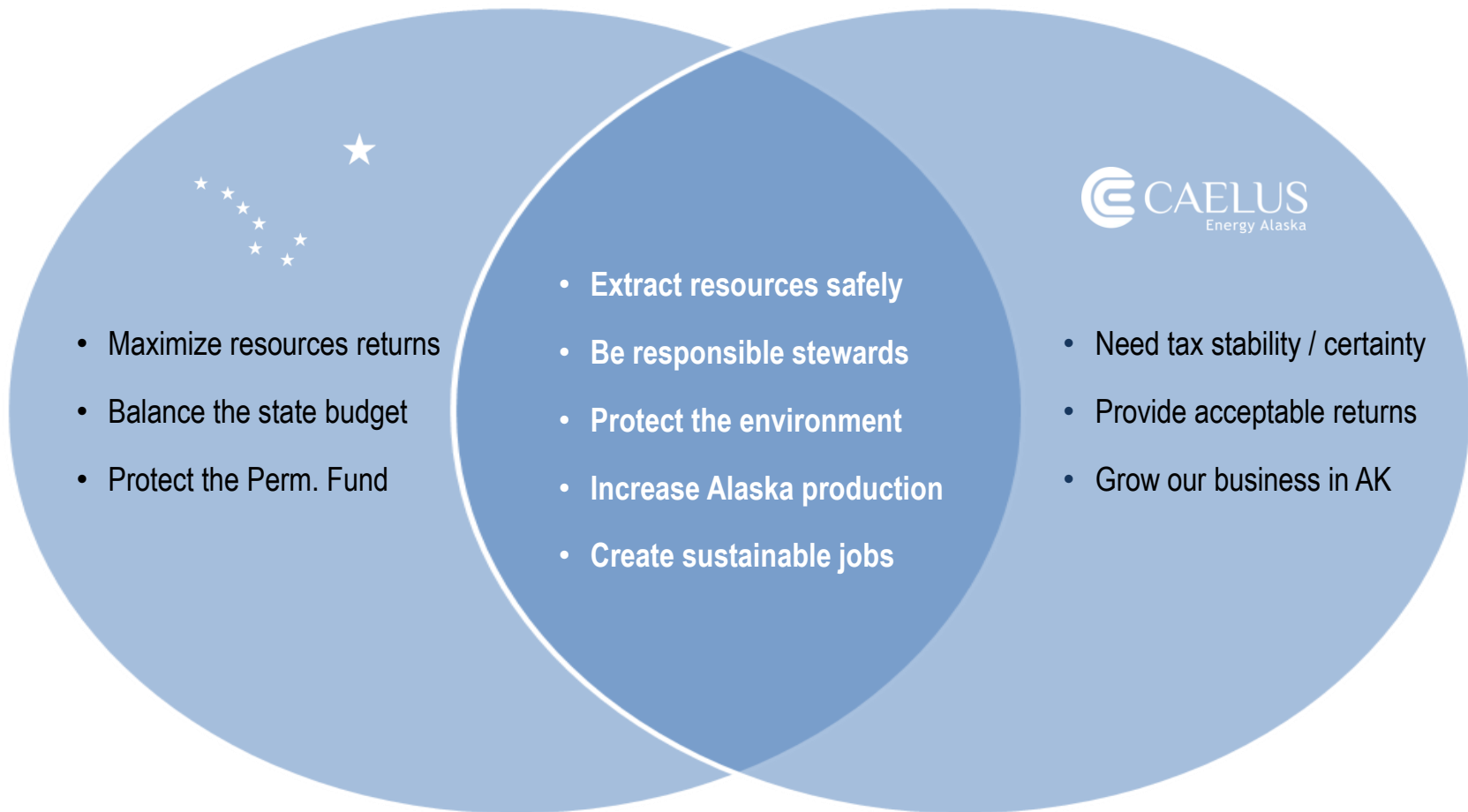


Analysis based on \$70 oil, PV-20

Elements of SB 5005

- ❖ *NOL Changes:*
 - *1st year; reduced to 15%*
 - *2nd year on; Eliminates NOL altogether*
 - *No ability to carry forward losses*
- ❖ *Min. tax increased to 5% when ANS is greater than \$55/Bbl*
- ❖ *Eliminates annual tax true-up*
- ❖ *Limits refundable credits to companies producing less than 15 m.b.o.p.d.*

...but perceived unpredictability around future taxes, while difficult to quantify, has had a more significant detrimental impact on the viability of future projects



More Production is critical to Alaska's Future

- ❖ Did SB 21 or high oil prices spur investment?
 - ❖ Both!
 - ❖ Sent strong signal to investors and companies
- ❖ Caelus is a proven explorer and developer
 - ❖ Our efforts have and will benefit Alaskans
- ❖ Competitive and stable policy a must

