

# **Savant Alaska, LLC**

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## **Presentation to Alaska Legislature House Resources Committee**

**March 10, 2010**

# A Brief History

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- ❑ Founded in 2006 to invest on the North Slope of Alaska.
- ❑ Licensed over 190 square miles of 3-D seismic data and leased or acquired access to over 45,000 acres in focus area east of Prudhoe Bay field.
- ❑ Drilled the Kupcake #1 exploration well in 16' of water in the Beaufort sea in the winter of 2008 resulting in a dry hole.
- ❑ Entered into a farmout agreement with BP Exploration (Alaska) Inc. providing exclusive access to the Badami Unit.
- ❑ Opened Anchorage operations office in January 2009
- ❑ Commenced B1-38 (Red Wolf) exploration well in March 2009 – resumed operations in January 2010
- ❑ Have invested or caused to be invested over \$43 million dollars in Alaskan exploration and development since inception

# Why Alaska?

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- ❑ The North Slope contains a prolific hydrocarbon system
- ❑ There are multiple oil targets in the geologic section
- ❑ The eastern half of the North Slope is lightly developed
- ❑ The State of Alaska under ACES legislation currently offers up to 45 cents per dollar of investment in tax credits (cash rebates) to Explorers
- ❑ The existing Badami infrastructure provides a significant competitive advantage

# ACES Tax Credits

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- Tax credit summary
  - \$3,397,056 redeemed for cash to date
    - \$280,010 in 2008
    - \$3,117,046 in 2009
  - Currently have tax credits totaling \$7.9 million which should be redeemed for cash in 2Q 2010
  - Application for \$6.6 million to be filed in 1Q2010
  - Inception to date acquired, earned or redeemed \$19 million in ACES tax credits
  - Secondary market for tax credit certificates is thin at best

# Current Plans

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- ❑ Finish 2010 winter well work program
- ❑ Restart the Badami facility and production summer 2010
- ❑ Evaluate results of new wells
- ❑ Potentially drill additional delineation and development wells in winter 2011

# Our View of ACES

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## □ Exploration Incentives

- Tax credit system provides meaningful inducement to take risk in the state
- Any enhancements will only improve our ability to continue exploring
- We generally support the Governor's proposed Amendments
- Not widely known or understood in the Lower 48

## □ Progressivity Feature

- We've remained silent on this issue because we are not a "producer", yet
- In general, the progressivity is a disincentive because it results in a diminishing return per incremental barrel produced as indicated by our economic modeling at Badami

# Badami Redevelopment...

Higher ACES production tax burden for same amount of reserves creates disincentive

