



# Alaska Senate Resources Committee

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OPERATING PLATFORM COOK INLET, ALASKA

## DISCLAIMER

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- **Reserves and Values**

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- **Competent Persons Statement**

Information pertaining to Lee County project contained in this report were compiled by Gary Rinehart, BS in Geology from University of Oklahoma and who has had more than 35 years experience in petroleum geology. Mr Rinehart has consented to the inclusion in this report of the technical matters and information herein in the form and context in which it appears.

Information contained in this report pertaining to the Alaskan projects was reviewed by Dr. Vijay Bangia, PhD in Petroleum Engineering from the University of Tulsa, who has over 30 years experience including employment by Shell Oil Company, Union Texas Petroleum, Burlington Resources and Renaissance Alaska. Dr. Bangia has approved the inclusion in this report of the technical matters and information herein in the form and context in which it appears.

Buccaneer was founded on two core principles:

- **Minimize risk**
  - Enlisting local talent
  - Acquiring majority positions in projects
  - Managing all operations
  - No “Big E” – stacked pay
- **Maximize opportunity**
  - Fast track development opportunities
  - Special incentives
    - ✓ Favorable regulatory environment
    - ✓ Strong commodity market

## BUCCANEER - OPERATING OVERVIEW & CORE FOCUS

**Alaska**  
Unique Environment &  
Opportunity

- Alaska is energy-friendly and in great need of a supply solution
- Cook Inlet: One of the last under-explored frontiers in US
- Unique local fiscal regime with tremendous economic incentive for exploration

**Alaska** - Onshore

- Kenai Loop development -- Establish production & Cash flow (December 2011); 3P reserves: 51.6BCF
- Firm off-take agreement with Enstar for 31BCF (as of April 2012)
- West Nikolai Creek and West Eagle prospects onshore gas weighted prospects

**Alaska** - Offshore

- Leases in Cook Inlet Alaska State waters
- Southern Cross 2P Reserves: 12.7 MMBOE (78% oil) + P50 Resource: 14.7 MMBOE (75% oil)
- North West Cook Inlet P50 resource: 49.4 MMBOE

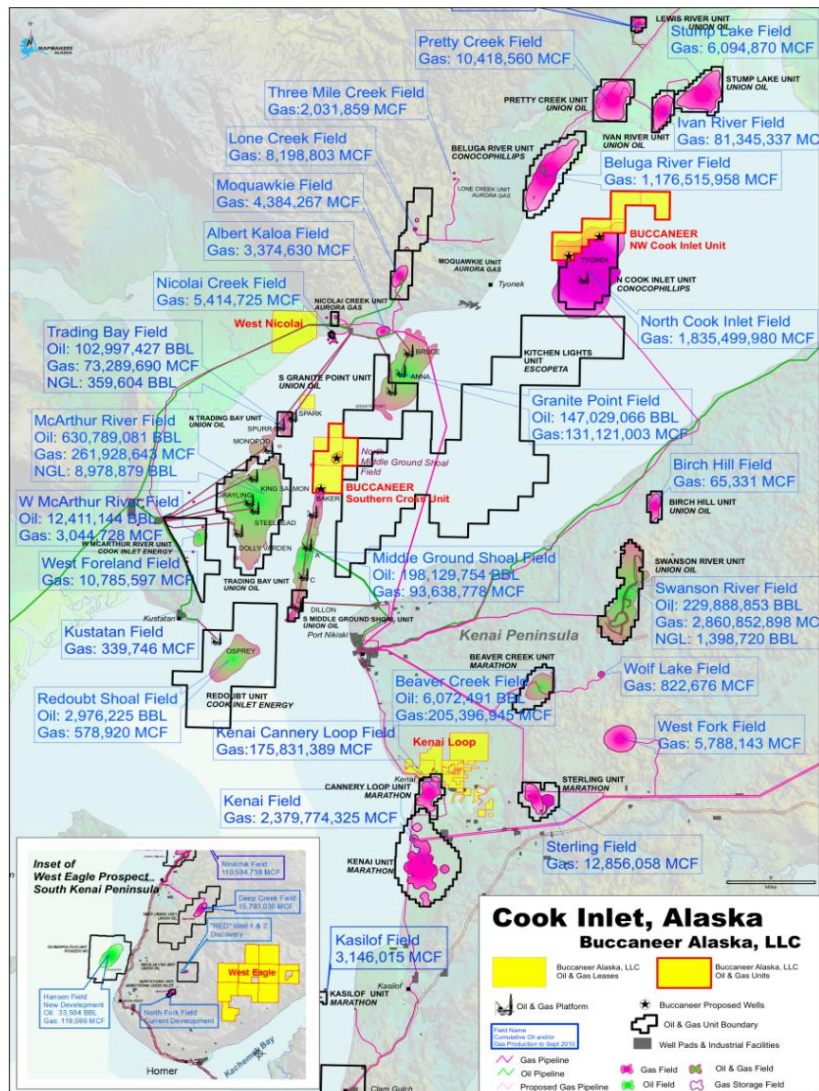
**Endeavour**  
Jack-Up Rig

- Strategic asset for Cook Inlet that unlocks Alaskan offshore value by giving ability to access recently unreachable assets
- Agreements executed / finalizing acquisition (Projected 11/2011)

**U.S.** - Lower 48

- GoM shallow-water gas: Pompano, Swordfish & Big Fish Package -- high potential reserves
- Lee County, Central TX – onshore oil
- Potential near term cash flow

## WHY ALASKA & THE COOK INLET?



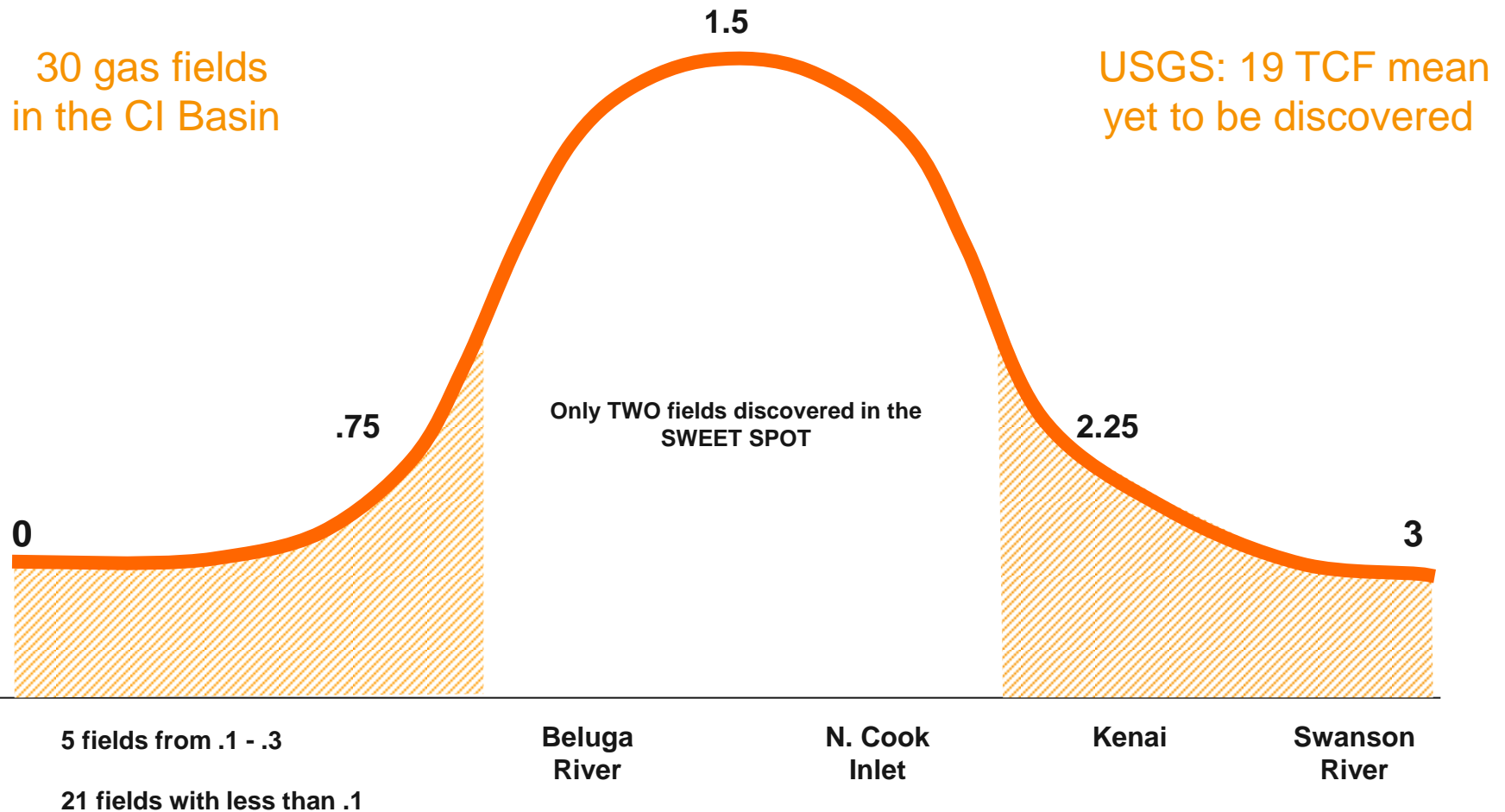
- Majors out / Independents In
  - Buccaneer (April 2010)
  - Apache (June 2011)
  - Hilcorp (July 2011)
- Local gas shortage
  - Brownout warnings
  - Plans to import LNG
- Under-explored basin (USGS study)
  - Estimated 600 MMBO & 19 TCF gas
  - Last major gas discovery: 1979
- Cash incentives (ACES)
  - 45% - 65% tax rebates
  - Special Jack-Up Rig rebates
- Premium Natural Gas Prices
  - 50-100% premium to Lower 48
  - Negotiated directly with end users

## LOW HANGING FRUIT

The Cook Inlet has a long and successful history of exploration and production, but much remains untapped

- First gas discovery in Cook Inlet Basin: 1958 – since then, 7.8 TCF of gas produced
- Gas was first encountered in the Cook Inlet basin during exploration for oil in 1950s, then considered stranded
- 1995 USGS study: estimate mean of 2.14 TCF of gas
- 2011 USGS study: estimate 19 TCF of gas and 600 MMBO – includes undiscovered, technically recoverable gas resources, and includes both unconventional and conventional resources
- 1994 was the last time a Jack-Up Rig was in the Cook Inlet
- Last major gas discovery date in Cook Inlet basin, prior to Buccaneer Kenai Loop #1, was over 10 years ago

## THE SWEET SPOT – COOK INLET GAS FIELDS



Cumulative Production - TCF

## BUCCANEER'S PROVEN SUCCESS – KENAI LOOP / ONSHORE

### HIGHLIGHTS – KENAI LOOP #1 WELL

- Leased, permitted and successfully drilled within 9 months
- 100% working interest / 82.0% Net Royalty Interest (NRI); 9,308 Acres
- Adjacent to Marathon's Cannery Loop Field - 175 BCF Produced (22 MMBOE)
- Pipeline construction begins October 2011; production to commence December 2011

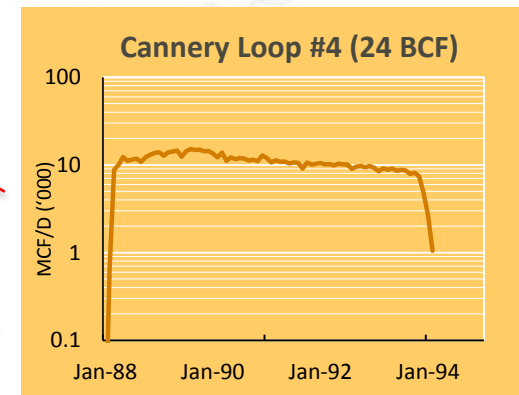
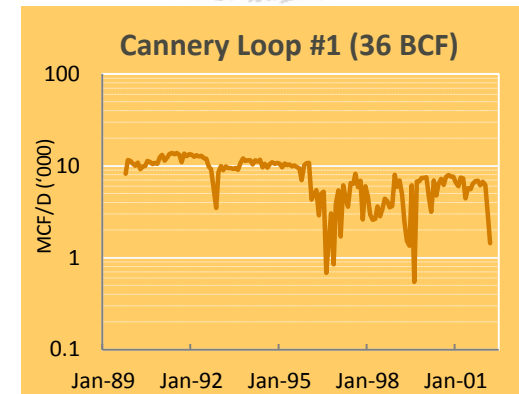
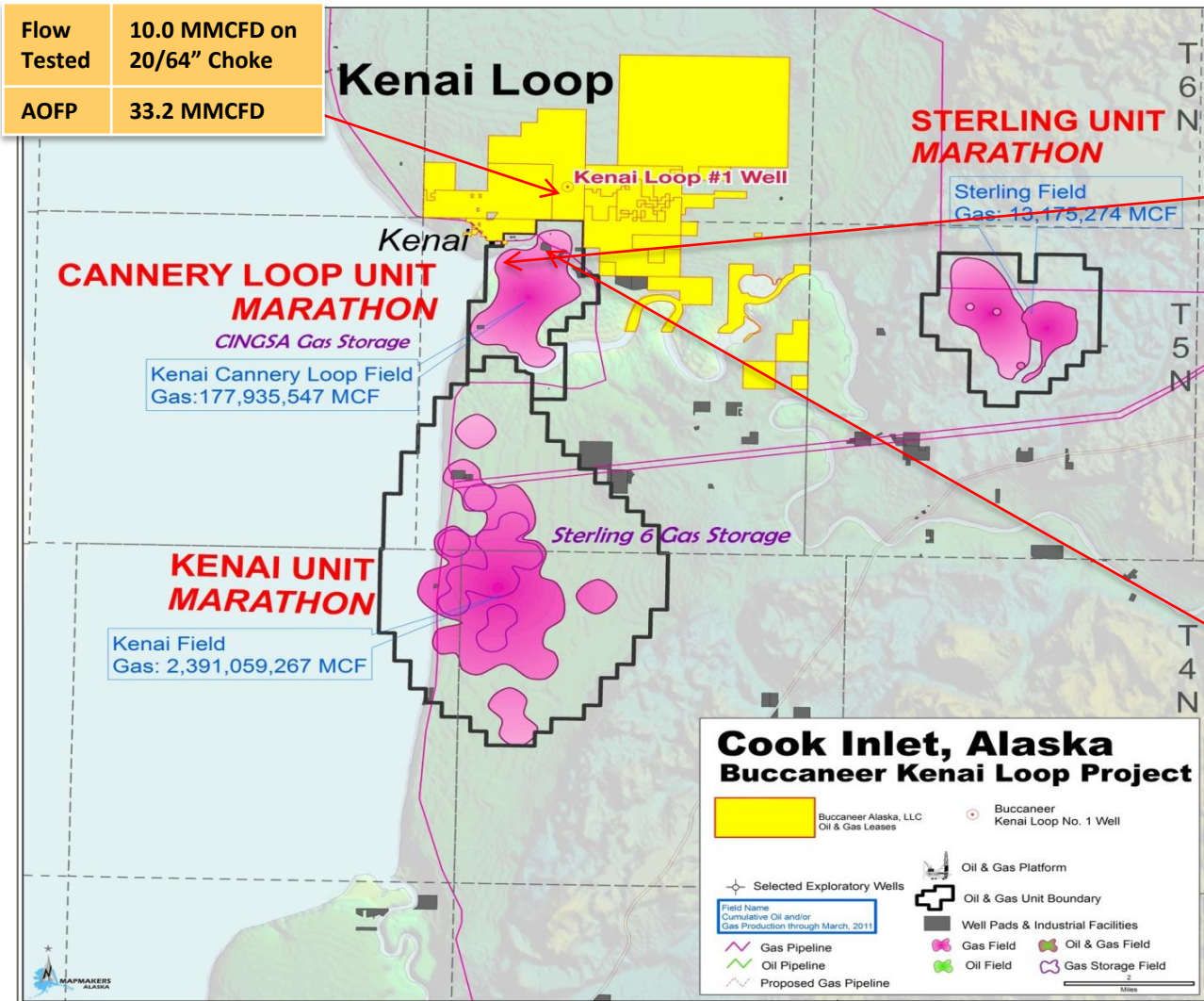
### GAS SALES CONTRACT APPROVED – ENSTAR

- Firm price and minimum volume of 5.0 MMCFD commences April 2012
- Annual net weighted average price of \$6.24 / MCF
- Deliverability of up to 15.0 MMCFD

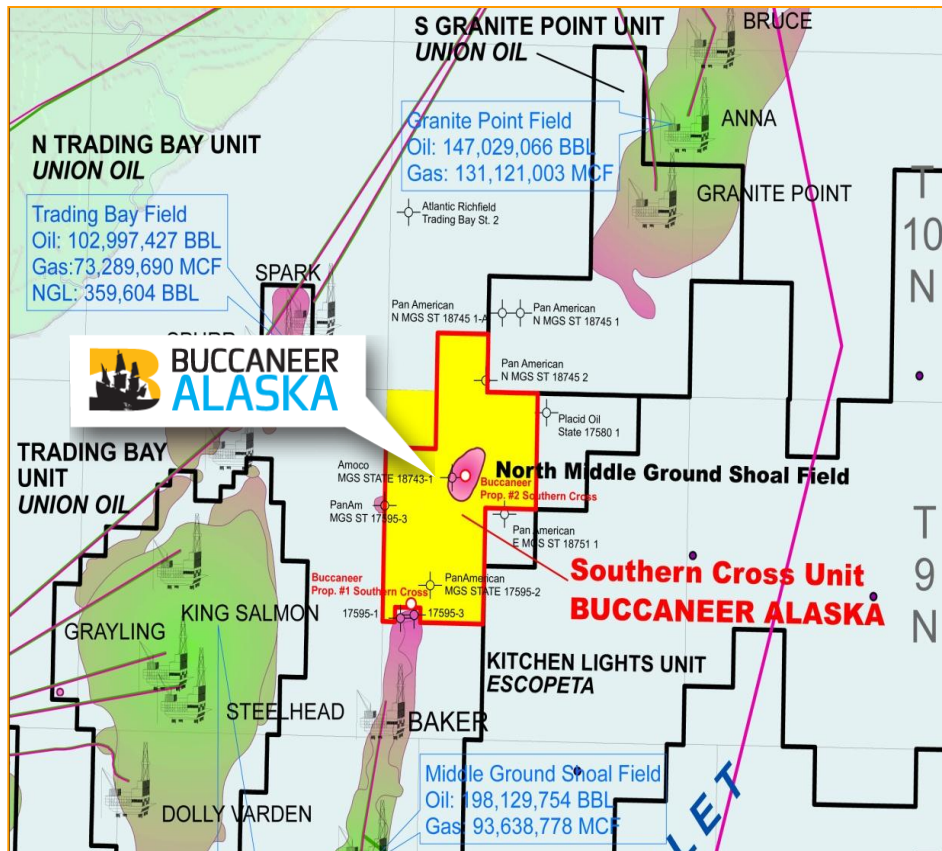
### KENAI LOOP – DRILLING & DEVELOPMENT COSTS

	GROSS – US\$	NET of ACES Rebate
Total Cost to Production KL # 1	\$12.4 MM	\$5.0 MM
Additional Wells Cost to Production	\$10.5 MM	\$4.2 MM

## PROVEN SUCCESS – KENAI LOOP / ONSHORE



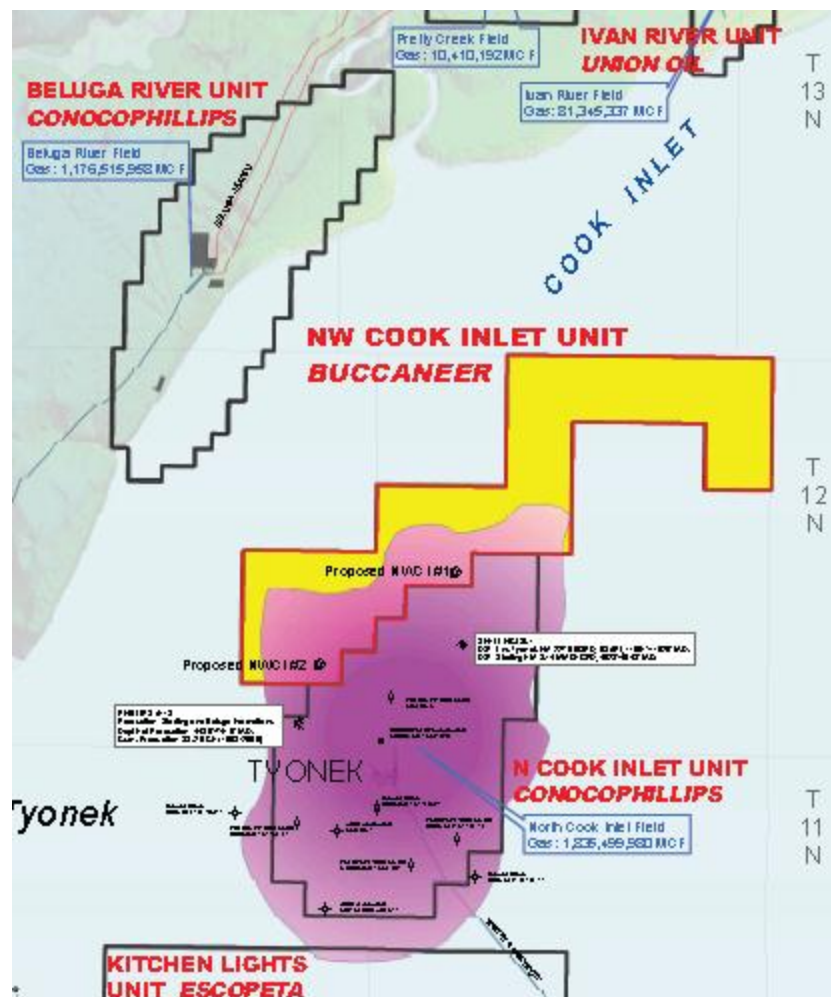
## SOUTHERN CROSS / OFFSHORE



### SOUTHERN CROSS UNIT

- 100% working interest/80.0% NRI
- Netherland Sewell booked reserves & resource
- 2P Reserves: 12.7 MMBOE (78% oil) + P50 Resource: 14.7 MMBOE (75% oil)
- Multiple pay sands and on Structure twin historical well which tested gas; was not developed
- Deeper Tyonek and Hemlock oil potential - 90' Drill Stem Test in 1960's well
- Chevron's (Hilcorp) Baker Platform ~ 1.5 miles south
- Projected Ops Costs < \$10.00 / BOE

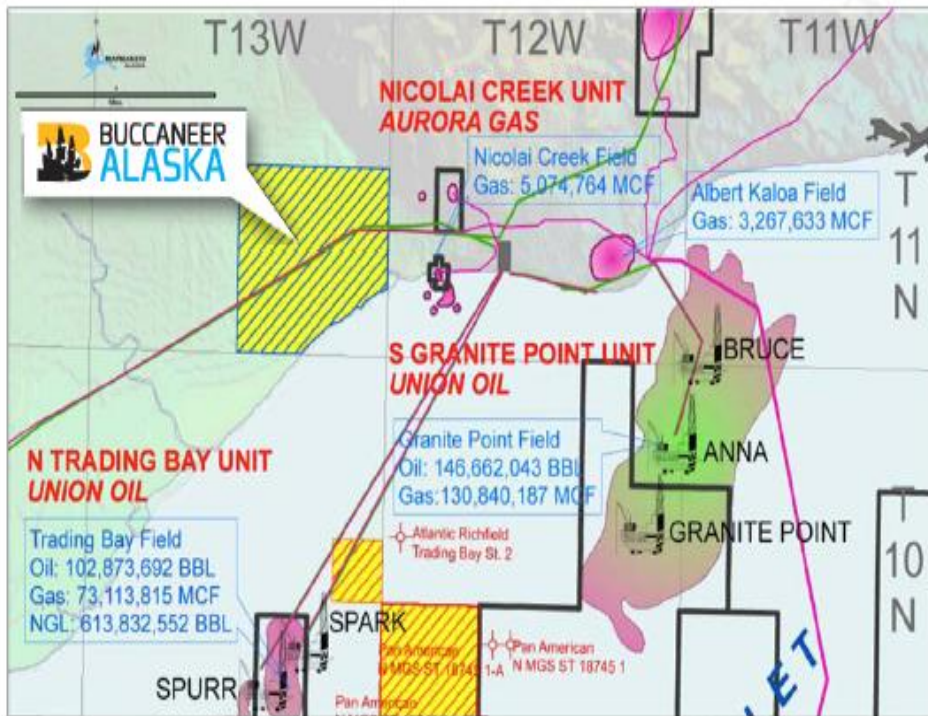
## NORTH WEST COOK INLET / OFFSHORE



### NORTH WEST COOK INLET

- 98.0% working interest/79.0% NRI
- Netherland Sewell P50 resource 49.4 MMBOE
- Adjoins ConocoPhillips field that has produced 1.8 TCF (225 MMBOE)
- Well drilled < 1 mile from lease boundary produced 88 BCF 11 MMBOE) (Phillips # A-13)
- Deeper oil opportunity 5 previous wells tested oil in Lower Tyonek & Hemlock which were never produced
- Shell well most northerly, tested at 2,270 BOPD from Lower Tyonek ~1 mile from lease boundary

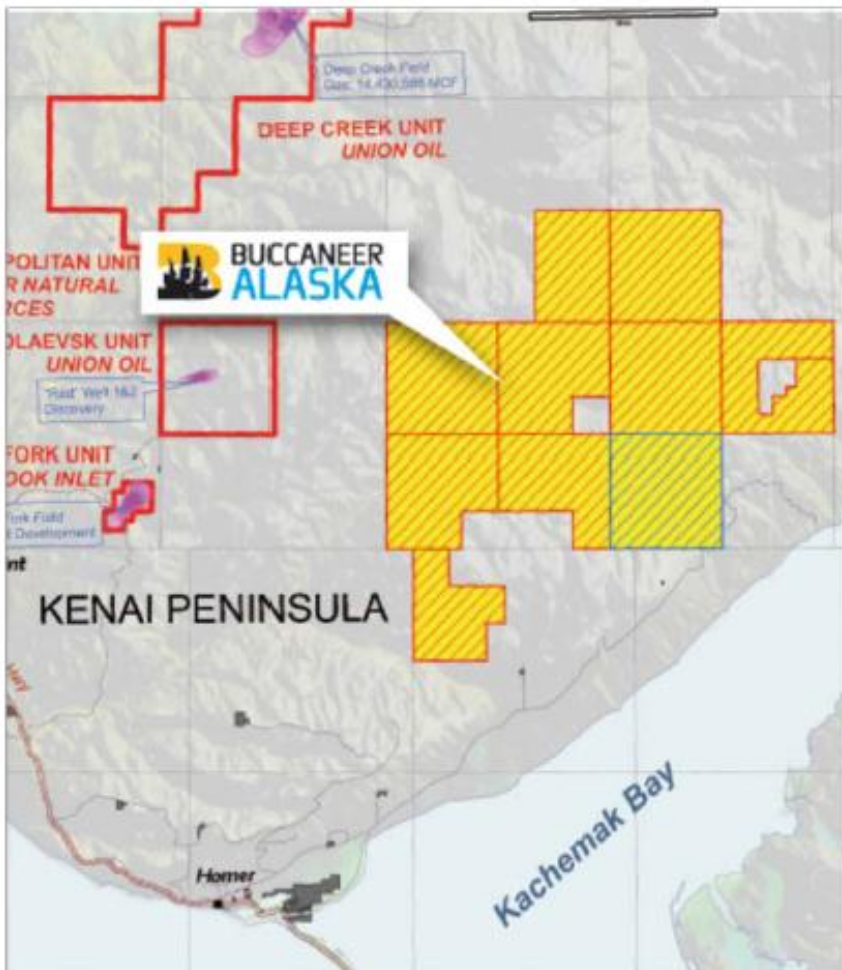
## W. NICOLAI / ONSHORE



### W. NICOLAI

- 4,952 acres; 100% working interest/84.5% NRI
- Shallow multiple stacked pay zones
- Defined gas prospect
- Roads, pipeline and infrastructure approx. 2 miles away – tie into existing sales line
- Acquiring seismic & reprocessing

## WEST EAGLE / ONSHORE



### WEST EAGLE

- 49,808 acres; 100% working interest/80% NRI
- Down structure wells had gas & oil pay
- Infrastructure being built to area by Armstrong
- Acquiring seismic & reprocessing

## DEVELOPMENT SCHEDULE

	2H 2011	1H 2012	2H 2012	1H 2013	2H 2013	1H 2014	2H 2014
Kenai Loop - Gas	Pipeline Facilities Commence Production	3D Seismic Development Drilling Production		Production			
Southern Cross – Gas/Oil		Drilling			Pipeline Facilities		Commence Production
Northwest Cook Inlet – Gas/Oil			Drilling		Drilling Pipeline Facilities		Commence Production
W. Nicolai - Gas			Drilling		Commence Production		
W. Eagle – Gas/Oil			Drilling		Commence Production		

## EXTRACTING THE VALUE: JACK – UP RIG ACQUISITION

### Kenai Offshore Ventures (KOV) Ownership & Partners

- 50/50 JV with Ezion Holdings (Singapore listed)
- AIDEA owns 100% Preferred Equity
- \$86.5 million to acquire, modify & mobilize
- Purchase Agreement executed with Transocean to acquire Endeavour

### Acquisition Status

- Joint Ownership Agreement with AIDEA executed
- Senior Debt Facility Term Sheet Executed – Moving To Final Documentation
- Finalizing modification budgets and scheduling with Asian shipyard



Endeavour  
*The Spirit of Independence*

## SELECTING THE RIG CONTRACTOR

### Archer Drilling, LLC

- Project manage the shipyard modifications to the jack-up rig
- Manage the mobilization process from Singapore to the Cook Inlet
- Operate and market the rig in the Cook Inlet and the Chukchi Sea

### Why Archer?

- Currently operating over 100 rigs globally
- Extensive experience operating in harsh environments
- Extensive engineering capabilities
- Very familiar with the LeTourneau 116 Class jack-up rig
- Excellent safety record



## MARKET EXPANSION

- Increased drilling in the Cook Inlet will increase:
  - Gas reserves
  - Gas production in the near term
- Increasing the gas market in Alaska will fuel enthusiasm for continued drilling.
- LNG increasing role in various applications to expand the gas market.



## ALASKA FITS THE MOLD

Back to the founding principles:

- **Minimize risk**
  - Enlisted local talent: Stellar management and assets
  - Acquired majority positions in projects: Kenai Loop
  - Managing operational control: Buccaneer Alaska
  - No “Big E” – stacked pay: Cook Inlet
- **Maximize opportunity**
  - Fast tracked development opportunities: Kenai Loop #1 – from permitting to production in 9 months
  - Benefited from special incentive: Favorable regulatory environment; strong commodity market; ACES incentives

# Buccaneer Energy Limited

[www.buccenergy.com](http://www.buccenergy.com)

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