Brooks Range Petroleum Corporation

Presentation for:

Senate Resources Committee

SB 21

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February 18, 2013

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SB 21 Support / Considerations

AS 43.55.023(a)

- ✓ Allows for certificate payment in single year
- ● Eliminates 023 credits after 12/31/13 (consider extension or .023 (l) redefinition of .025 to include exploration projects)

AS 43.55.023 (l) (suggest adoption for North Slope)

- ✓ Allows 40% capital credit for all intangible well work (consider adoption)

AS 43.55.011 (e)

- ✓ Eliminates progressivity maintains 25% base tax

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- ● After 12/31/13, CFL credits no longer redeemed for cash must apply to tax burden
- ✓ 15 % interest on unused credits

AS 43.55.024(c)

- ✓ Extends Small Producer Credits to 2022

AS 43.55.160

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✓ Support ● Consider Adjustment

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Reasons for Entering Alaska

- L48 oil price, reduced cash flows, lack of quality prospect inventory
    - In 2000, oil price had dipped to very low levels
    - Lower 48 average wells struggled to generate breakeven cash flow
    - Prospect reserve base was not very attractive
    - Deals were few and those that were being shopped didn't impact CF for risk

- Drivers to Increase Cash Flow
    - Big reserves with high production rates increases cash flow
    - Acceptable cost of doing business
    - Tax policy was <u>not</u> an impact consideration - ELF
    - Expected eventual cycle change in focus with some majors lessening activity and independents entering as occurred in;

      Mid-continent, Rocky Mountains, Gulf of Mexico, North Sea

What does Alaska have to offer ??

	ALASKA	LOWER 48
World class reserve base	X	
Accessible infrastructure		X
Cost environment		X
Relative Oil Price	X	
Meaningful SOA credit structure	X	
Impacts of tax policy	?	?
Perception of tax consequences		X
Confidence in a 5 to 10 year business plan		X

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Why more players are not in Alaska

<u>3 Key Elements</u>	**<u>What is the Reality</u>**
• Aggressive desire to be in Alaska	• Most are content with core areas • High oil price provides superior cash flows • Established relationships with knowledgeable investors and traditional capital sources • Insufficient cause to compel a change in their operational focus
• Knowledge base to understand	• Many would prefer to control own destiny • Question internal geologic expertise for Alaska • Deficiencies of staff operational competence • Lack of fiscal comprehension • Unable to model minimum 5 year business plan that is consistent
• Financial capacity to fully execute	• Current capital commitments on other projects • Alaska requires **<u>VERY</u>** patient capital • Perception that majors control and inability or reluctance to compete

<u>"Alaska is an educational process"</u>

Credits have helped keep us in the game

QCE - .023 (a)

Qualified Capital Expenditures

20% QCE tax credit for capital expenditures

50% of credit year 1 other 50% in year 2

Credits do not expire and can be held, sold to third parties or sold back to the state.

CFL - .023 (b)

Carry Forward Loss Credits

25% credit based on calendar year losses

50% of credit in year 1 other 50% in year 2

Credits do not expire and can be sold to third parties or sold back to the state.

SPC - .024 (d)

Small Producer Credit

Small producers (less than 50,000 BOPD)
Entitled to a $12MM per year production tax credit.
Credit is in effect for 10 years after start of production

(need to start production by 2016 to qualify).

EIC - .025

Exploration Incentive Credits

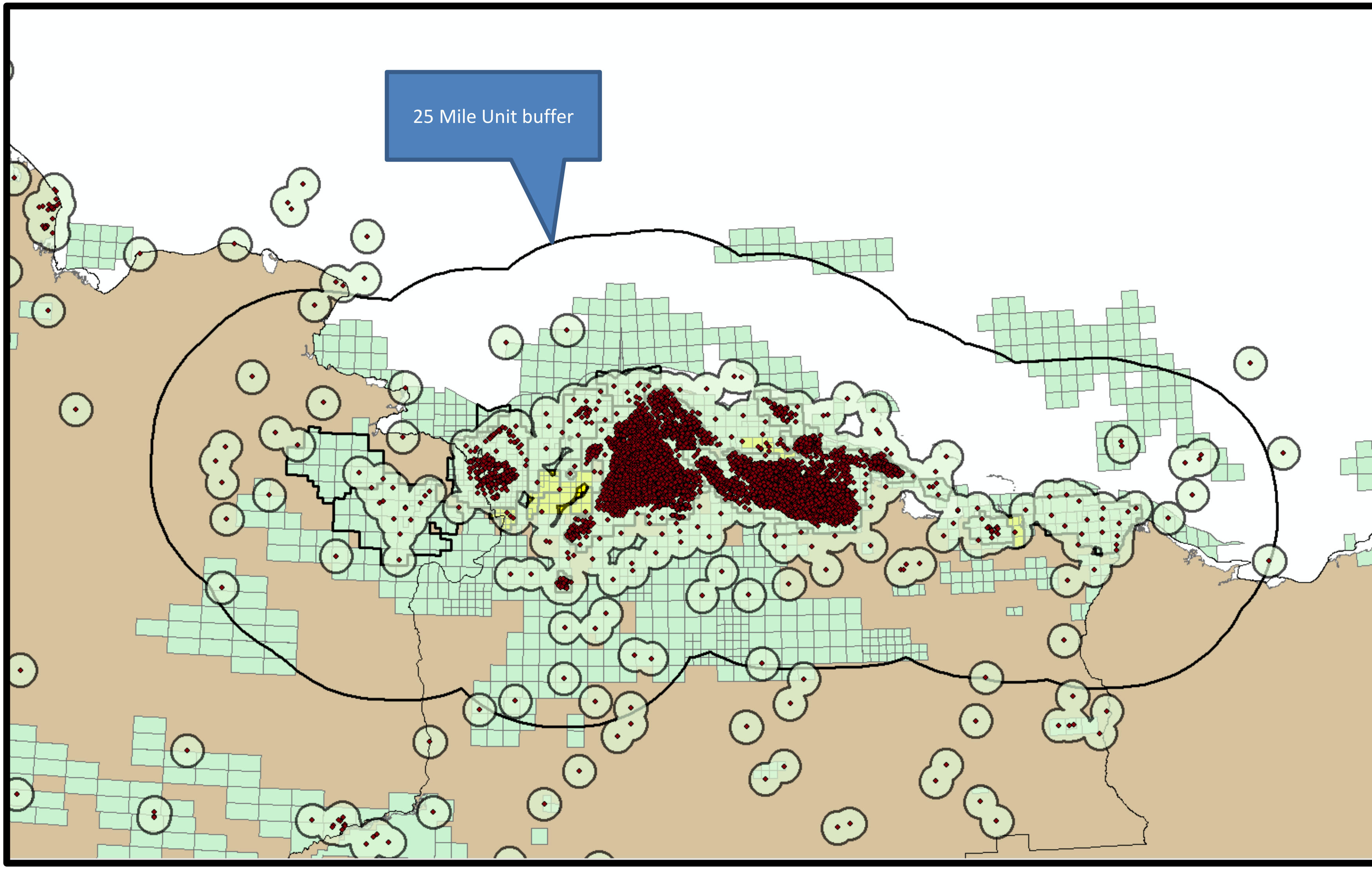
40% credit depending on well location and the prospect traits.

Can take EIC credit or the QCE credits, but not both.

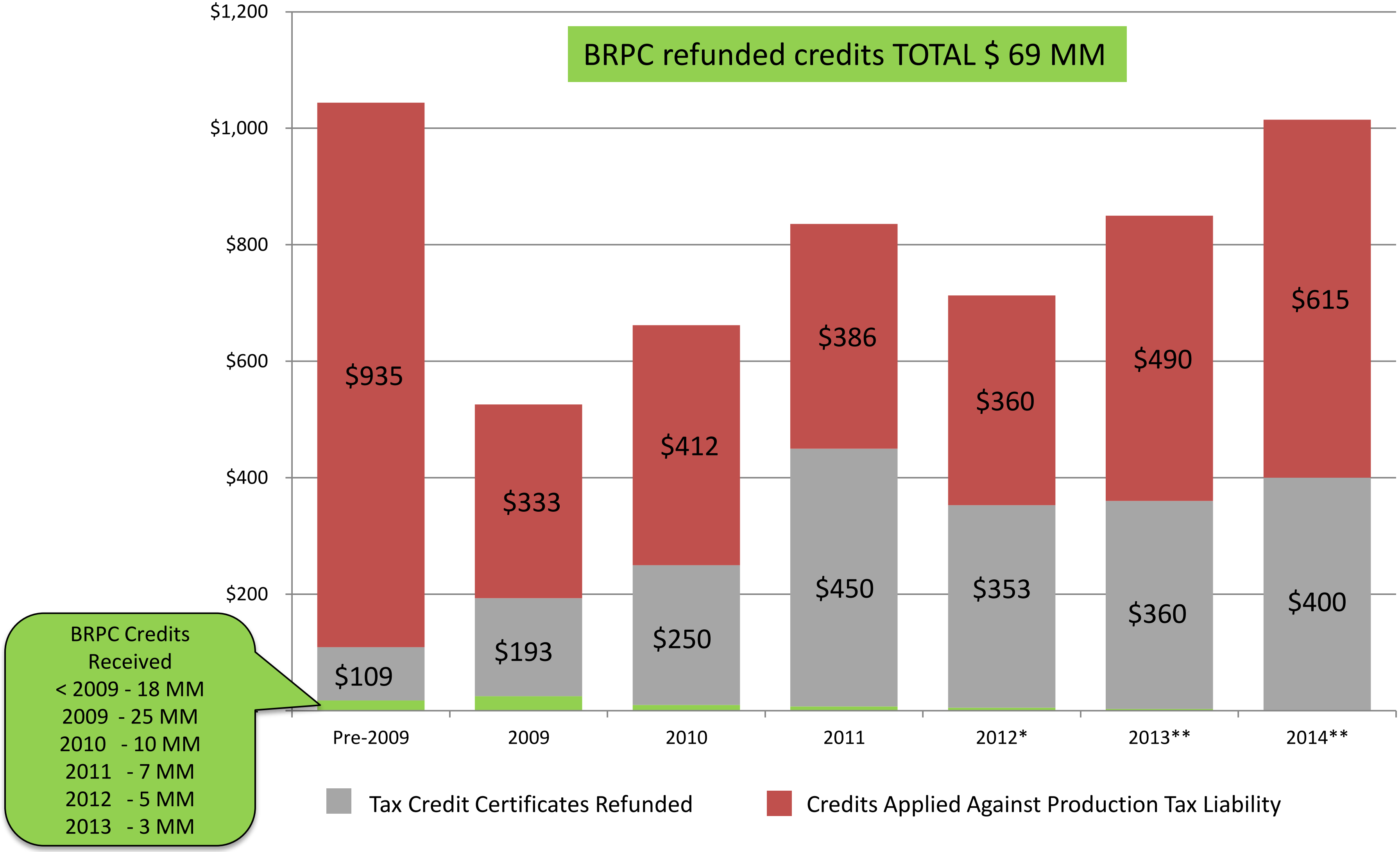
Work needs to be complete by July 1, 2016 to qualify.

BRPC has never received this for exploration wells

AS 43.55.025 Limitations - 25 Mile Unit Buffer With 3 Mile Well Buffer



Tax Credits History & Forecast



* Estimated pending final true-ups

** Fall 2012 Revenue Source Forecast

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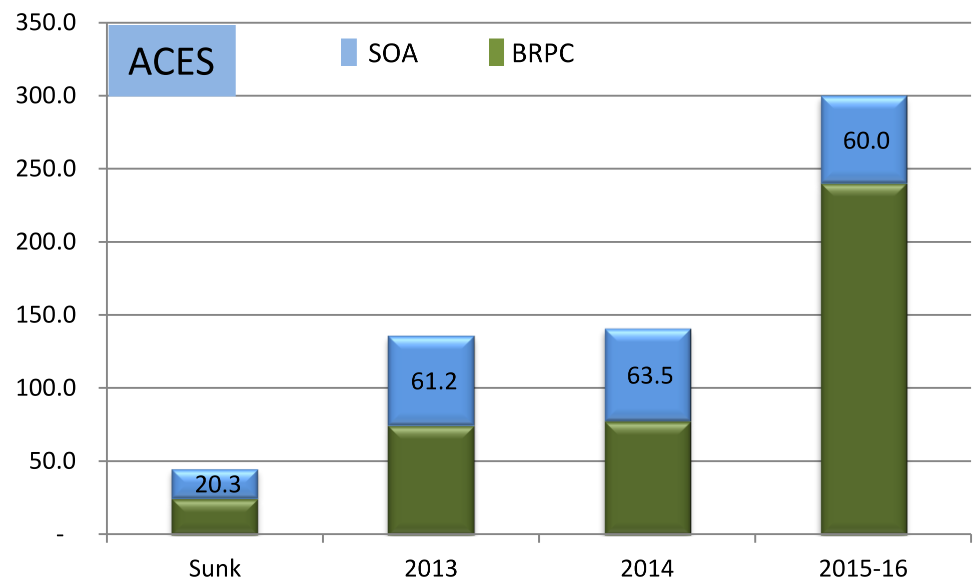
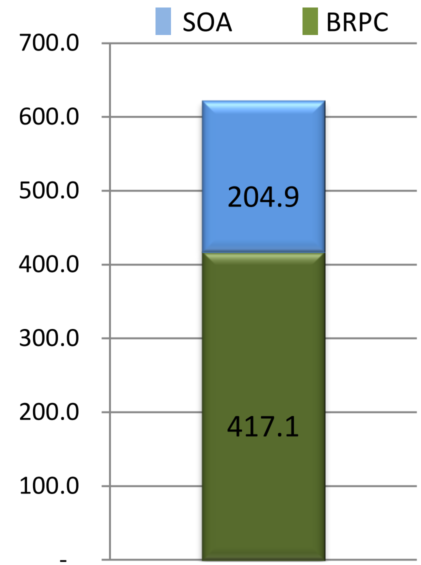
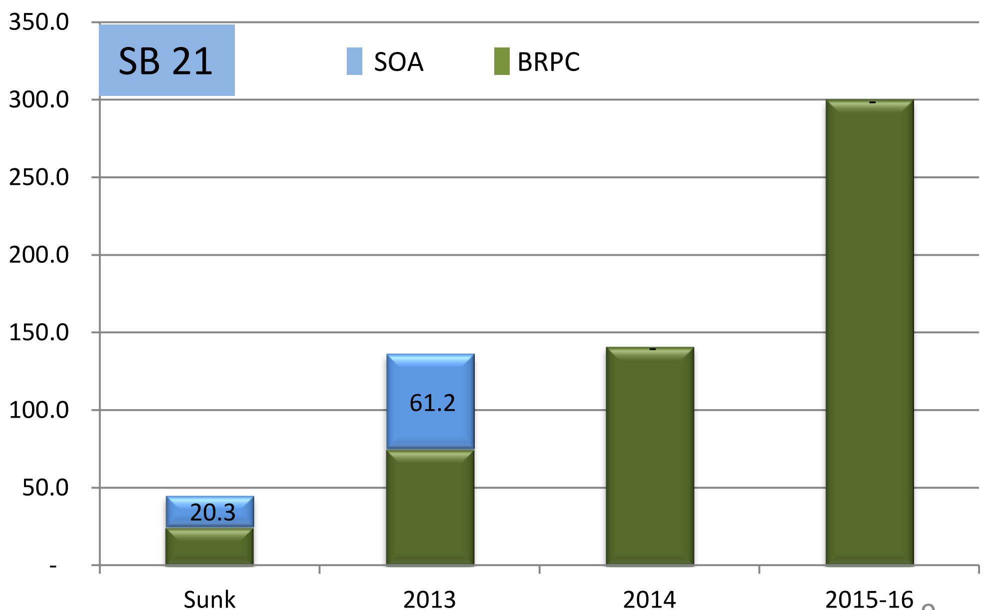
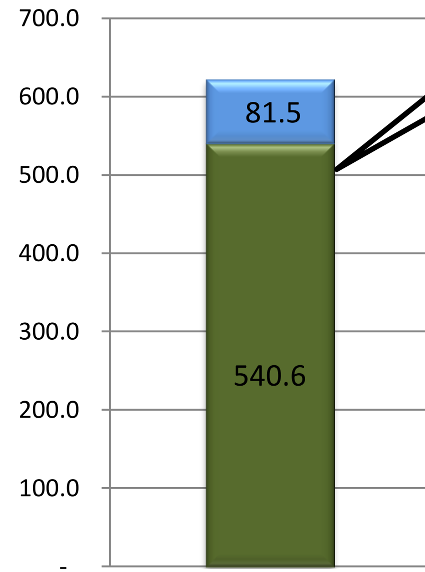
Impacts to Mustang Development Funding





Under ACES, Mustang SOA revenues $ 1.2 B Life of Field





Requires **$ 123.4 MM** additional funding not planned in sanction process

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Forecast by Development Project

	Peak Throughput	SOA Rev. (B)
Mustang Development	14,806	1.2
Appaloosa Development	12,722	1.0
Tofkat Development	8,667	0.7
Beechey Point Development	12,000	0.9
Badami Expansion	6,900	0.6
	55,095	4.4
	Annual Average SOA Revenues	0.293
	10 new entrants replicated	10
	Annual Average SOA Revenues	2.933

Includes $ 561 MM in credit support

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Combined Development Projects and Throughput Forecast

1/6 vs. 1/8 royalty is 33% increase in Royalty share

Throughput Forecast (4 projects)	BOPD	55,095
CAPEX		2,210
Royalty SOA 1/6th	2,167	
Production Tax SOA	2,286	
Total Revenue SOA	Life of Field	4,453
Credit Applied		561

Royalty 1/8	Pro Forma
1,625	542

Burdened by 1/6th royalty and reduces net profits

Elimination of Capital credits increases CAPEX requirements

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One Size Does NOT Fit ALL

- Legacy Tier……………..
- Mid-size Production and Development Tier……………..
- Exploration and Discovery Tier………………………
- New Entrants Tier……………………

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