



House Finance
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GREAT BEAR PETROLEUM – A QUICK HISTORY

A NORTH SLOPE EXPLORATION COMPANY

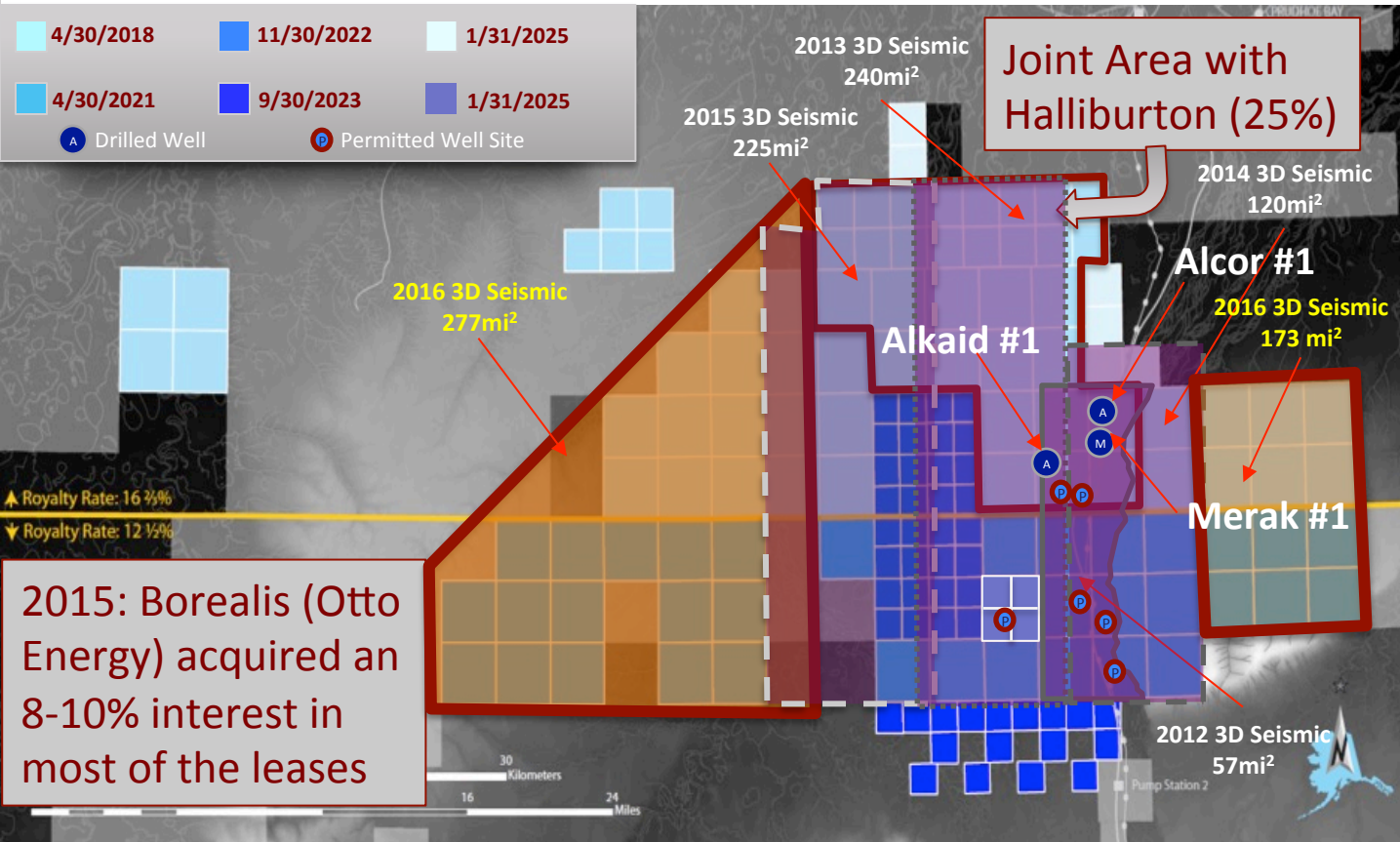
- Founded in 2010
- Focused exclusively on Alaska's North Slope
- Office and employees all in Anchorage
- Holder of 499,000 acres, Operator of 590,000 acres
- Acquired 500 square miles of 3D seismic
- Currently acquiring another 450 square miles
- Drilled 3 exploration wells

GREAT BEAR PETROLEUM – A QUICK HISTORY

FROM UNCONVENTIONAL TO CONVENTIONAL

- Original Target -> North Slope Shale Play (aka “source rock play”, aka “unconventional play”)
- Soon Faced an “Alaska Shale Play Catch-22”
 - Not economic without cost reductions
 - Costs reduction requires a critical mass of drilling activity, such as that generated by a shale play
- **Re-directed focus to extensive conventional prospectivity**
- Still believe a North Slope unconventional play can be economic following a conventional play build-out
- New Management Team – focus on performance - expanding technical capabilities

GREAT BEAR – LEASEHOLD POSITION AND ACTIVITIES (2012-PRESENT)



GREAT BEAR – IMMEDIATE WORK PLAN

HOW WE WILL REALIZE THE POTENTIAL

1. Complete our seismic program
2. Complete our prospect inventory
3. Execute a multi-year, multi-well exploration program
4. Secure cost-effective services by using the multi-well commitment

4 MYTHS ABOUT NORTH SLOPE EXPLORATION COMPANIES

- Exploration companies are “financed” by Alaska tax credits.
- Exploration companies don’t have “skin in the game”.
- Alaska could get the same level of exploration activity with lower exploration tax credits.
- Tax credit payments can be delayed with little impact to exploration companies.

TAX CREDIT FINANCING

BUSTING THE MYTH THAT EXPLORATION COMPANIES ARE “FINANCED” BY TAX CREDITS

- North Slope exploration company investors pay for employee salaries, oil and gas lease rentals, office rental, and other business expenses.
- Some expenditures (geologic work, permitting, etc.) qualify for tax credits (up to 75% reimbursement rate, dropping to flat 35% after June 30, 2016).
- An explorer can borrow against those expected tax credits, but has to have the remaining equity funding (plus financing costs) on hand at the time of the loan.
- At no time does a North Slope explorer “make money” on tax credits.

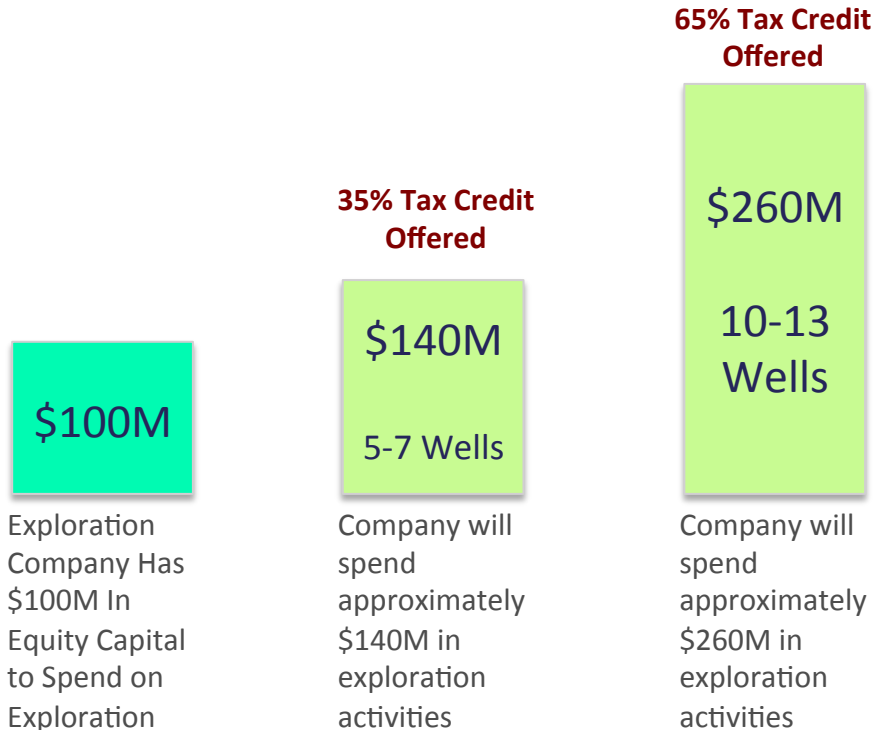
GREAT BEAR PROJECT SPENDING (2010 – PRESENT)

BUSTING THE MYTH THAT EXPLORATION COMPANIES DON'T HAVE "SKIN IN THE GAME"

- Total Gross Spend of Approximately \$220 Million
 - Approximately \$140M has been or will be reimbursed by State of Alaska
 - Net Operating Loss Credits (25% -> 45% -> 35%)
 - 40% Exploration Incentive Credit for Seismic
 - 30% Exploration Incentive Credit for Wells
- Great Bear Petroleum and Partners have spent approximately \$80M that will not be recovered through tax credits
 - As a result, Great Bear has been very prudent and deliberate in what activities we have conducted
- **Tax Credits bought valuable exploration data** - State now has extensive new data about its resources on the Great Bear leases

HOW TAX CREDITS DICTATE EXPLORATION DRILLING VOLUME

BUSTING THE MYTH THAT LOWER TAX CREDITS COULD STILL RESULT IN SAME EXPLORATION ACTIVITY



By offering a higher tax credit, State generates more activity

IMPACT OF TAX CREDIT PAYMENT UNCERTAINTY

BUSTING THE MYTH THAT PAYMENTS CAN BE DELAYED WITHOUT IMPACT

- Delay in tax credit payments will result in increasing financing costs for explorers
 - Additional interest payments & higher interest rates
 - Less money goes into the ground – more goes to the banks
- Uncertainty or surprises in tax credit payments by the state causes financing sources to leave the market or freeze existing credit agreements
 - Makes tax credit financing far more expensive, or completely unavailable
 - Dramatically reduces the exploration activity that is bought by the tax credits

TAX CREDITS – KEEP WHAT IS WORKING

INERTIA/MOMENTUM ARE STRONG FORCES IN THE OIL & GAS INDUSTRY

- Alaska Has Emphasized North Slope Exploration in State Oil and Gas Policy for the Past 15 Years
 - Areawide Leasing Program
 - Exploration Incentive Credit (EIC) Program
 - Net Operating Loss Credits
 - Tax Credit Certificate Payments
 - Collateralization of Tax Credit Certificates
- It Took A While, But That Effort is Now Showing Success
 - Diversified Group of North Slope Explorers
 - Recent Discoveries
 - New Production Coming On-Line
- Elimination/Reduction of Credits Will Be Costly
 - Likely to Slow Down or Stop Exploration
 - Lower Likelihood of New Discoveries
- Getting Momentum Back Will Take A Long Time

SUMMARY

- Great Bear is a highly active North Slope explorer
- Great Bear's investment to date has been substantial and well spent
- Great Bear's pace and volume of future exploration activity will be directly related to tax credit program
- Risk is reduced, and likelihood of success is increased by more exploration
- Reducing exploration risk of Alaska's North Slope resources is a good investment for the State of Alaska
- The Exploration Incentive Credit Program ("025 Credits") is a valuable catalyst for North Slope exploration activities