

# Caelus Activity Update

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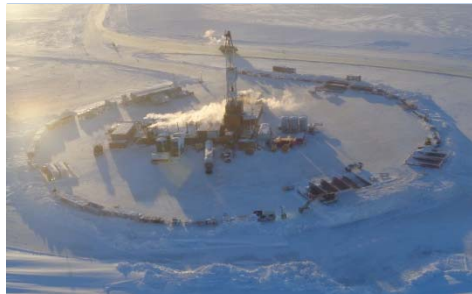
House Resources Committee



*February 22, 2017*

*J. Patrick Foley, SVP Alaska Operations*

# North Slope Exploration & Development Program



Smith Bay Exploration Tullimanig



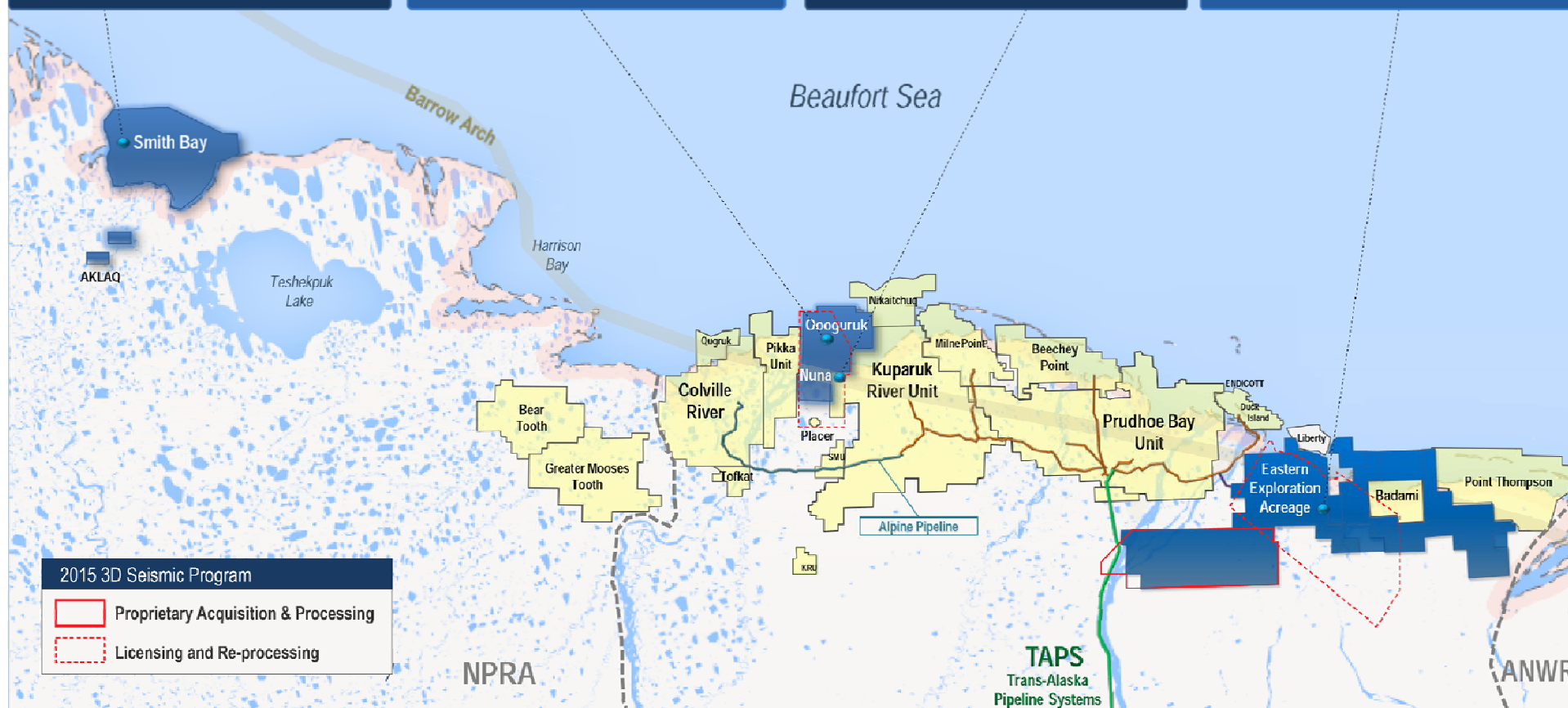
Oooguruk Unit (ODS/OTP)



Nuna Drill Site



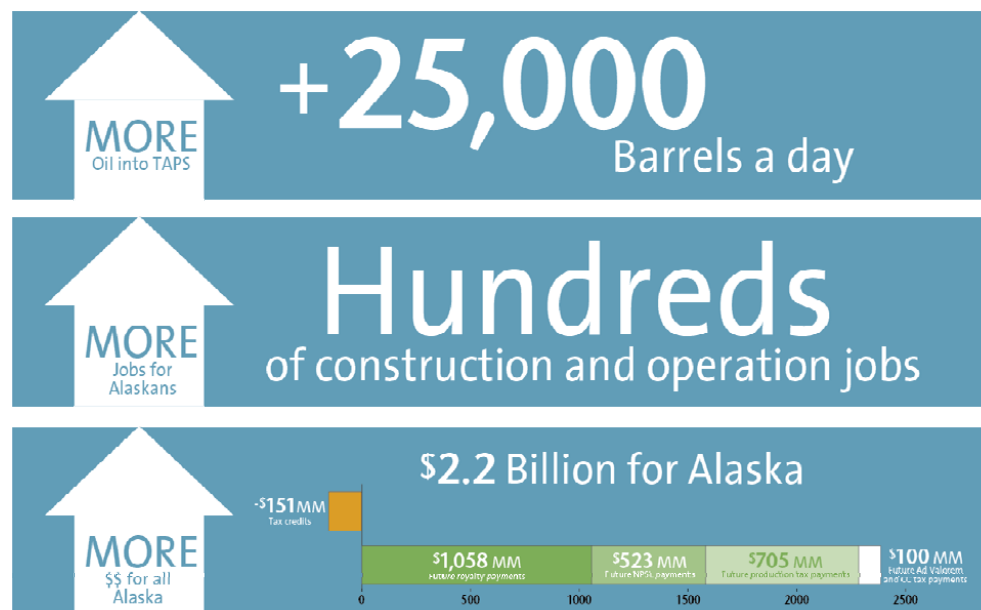
Eastern ANS Exploration Acreage



# Nuna Oil Development Overview

## Quick Facts

- ❖ Caelus holds 100% interest
- ❖ 2 wells confirm reservoir deliverability
- ❖ 2,800 BOPD flowed from 1<sup>st</sup> Torok well
- ❖ 100 – 150 + MMBO 2P reserves
- ❖ 20,000 to 25,000 BOPD peak production
- ❖ Completed 22-acre NDS drill pad & road
- ❖ 300 FTE contractor construction jobs
- ❖ 300 FTE contractor drilling jobs



### ***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).*

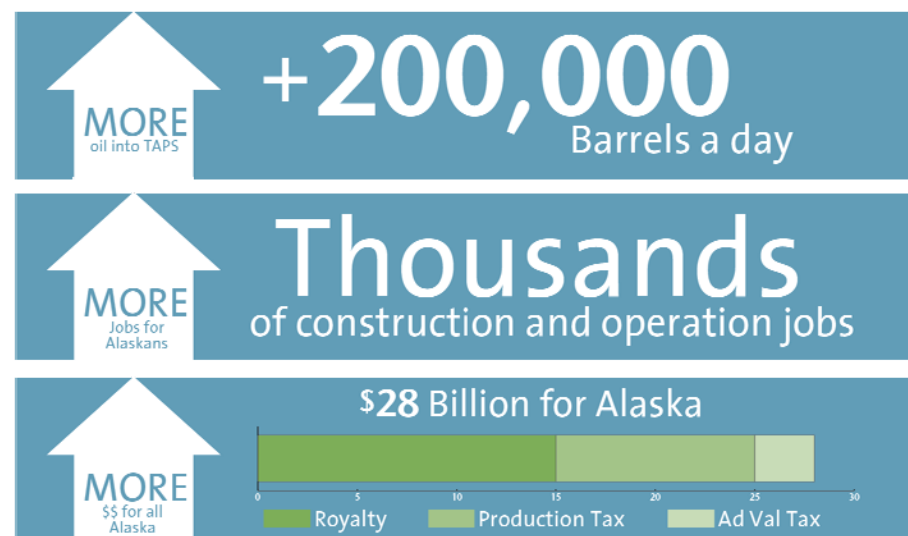
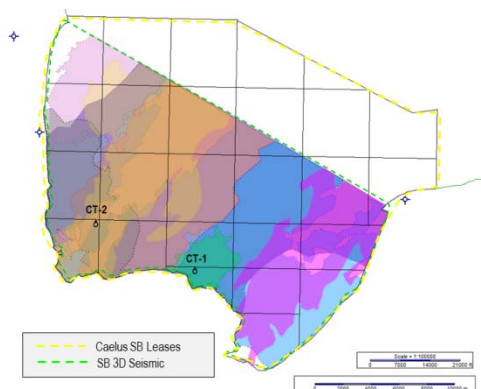
\* Values are undiscounted based upon a Flat \$70/bbl Brent Price Assumption

# Smith Bay - A World Class Discovery

*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 mi<sup>2</sup>
- ❖ ~1,000 feet of gross pay encountered in two well
- ❖ ~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*

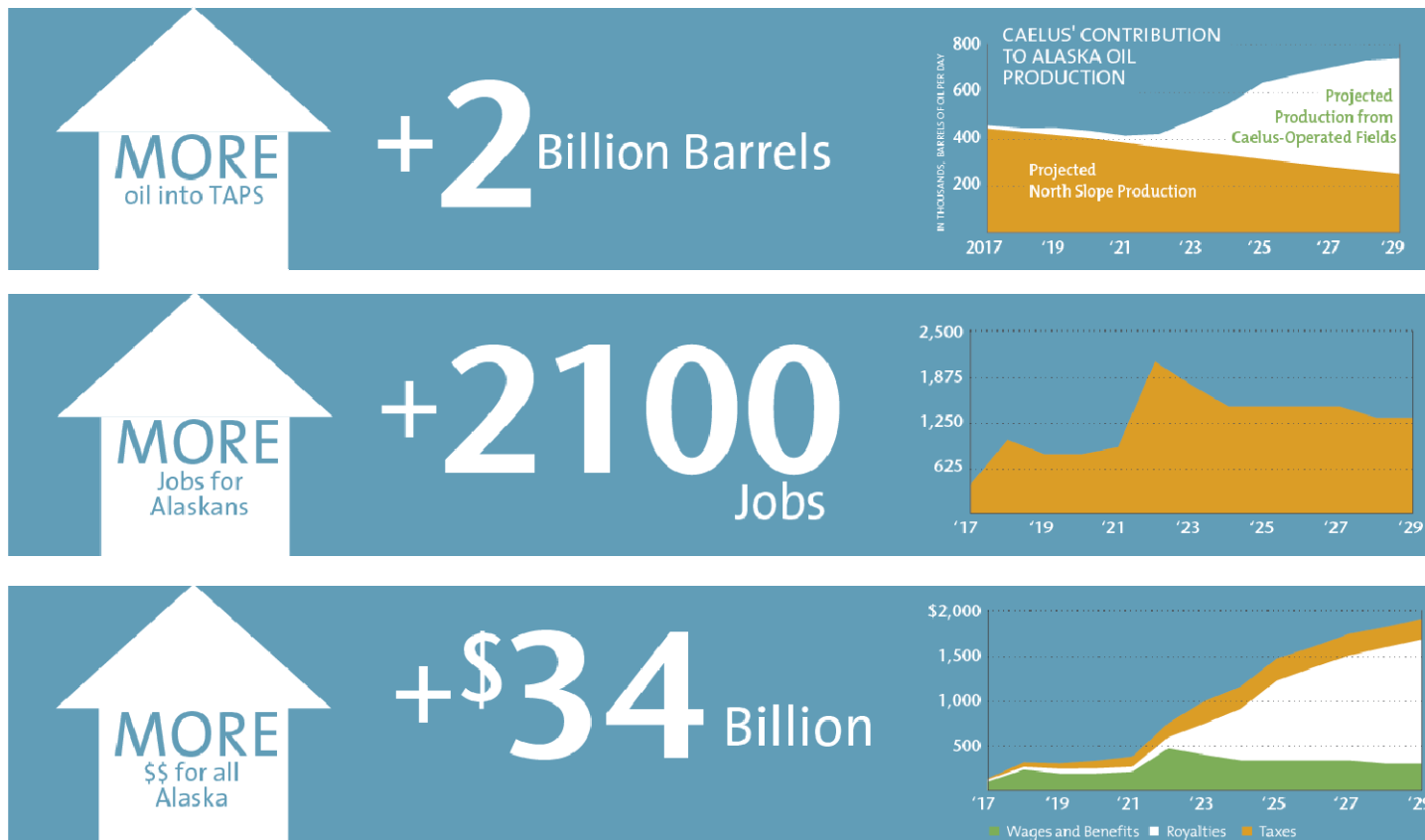
*"This discovery has the size and scale to play a meaningful role in sustaining the Alaskan oil business over the next three or four decades. Fiscal stability going forward is critical for a project of this magnitude."*

*– Caelus CEO Jim Musselman*

# Caelus Projects: Lasting Economic Impacts for Alaska



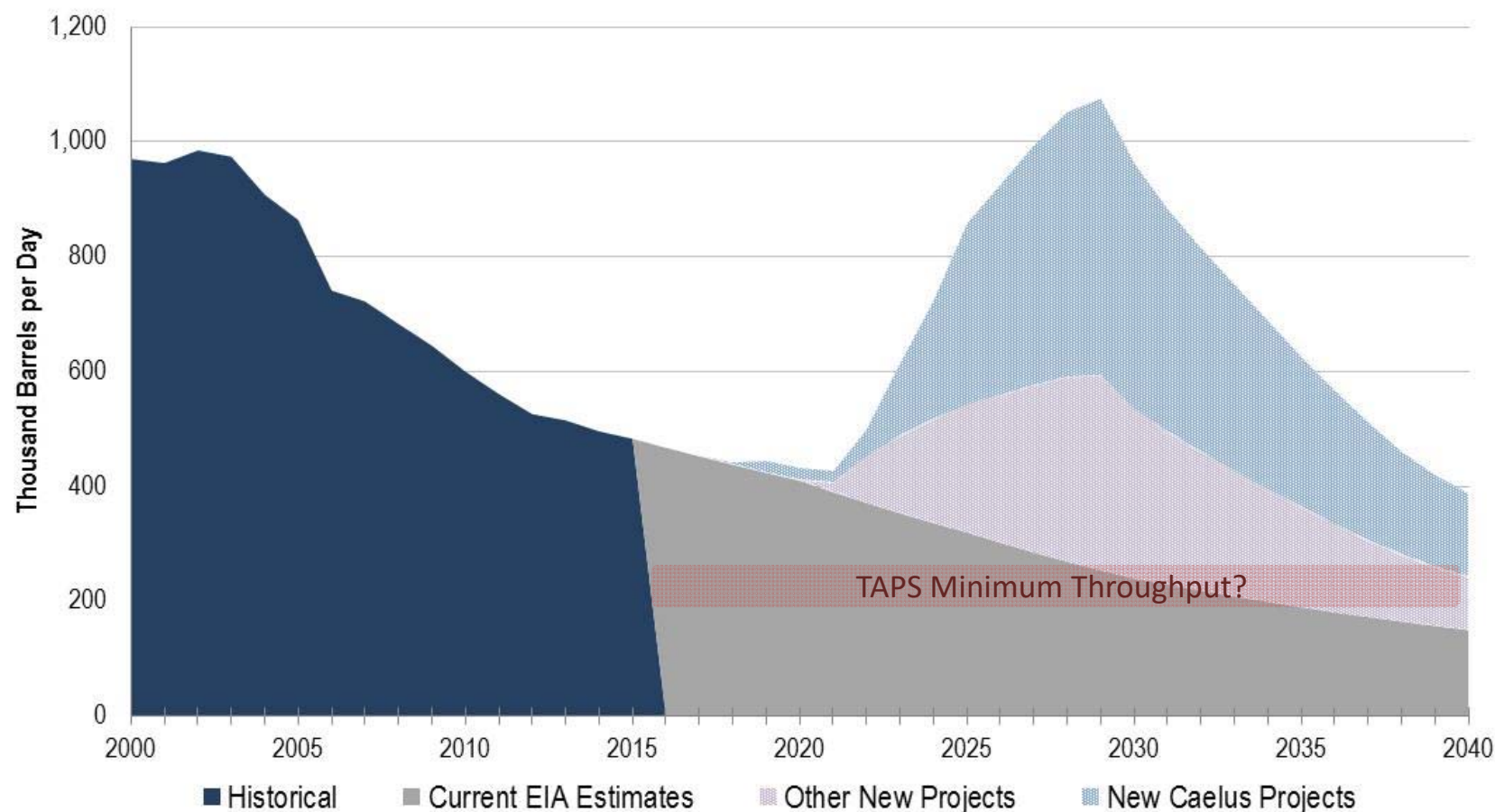
*Caelus projects could help produce a new age of renewed North Slope activity and production for the benefit of all Alaskans*



# Alaska Oil Production with New Investment

*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**

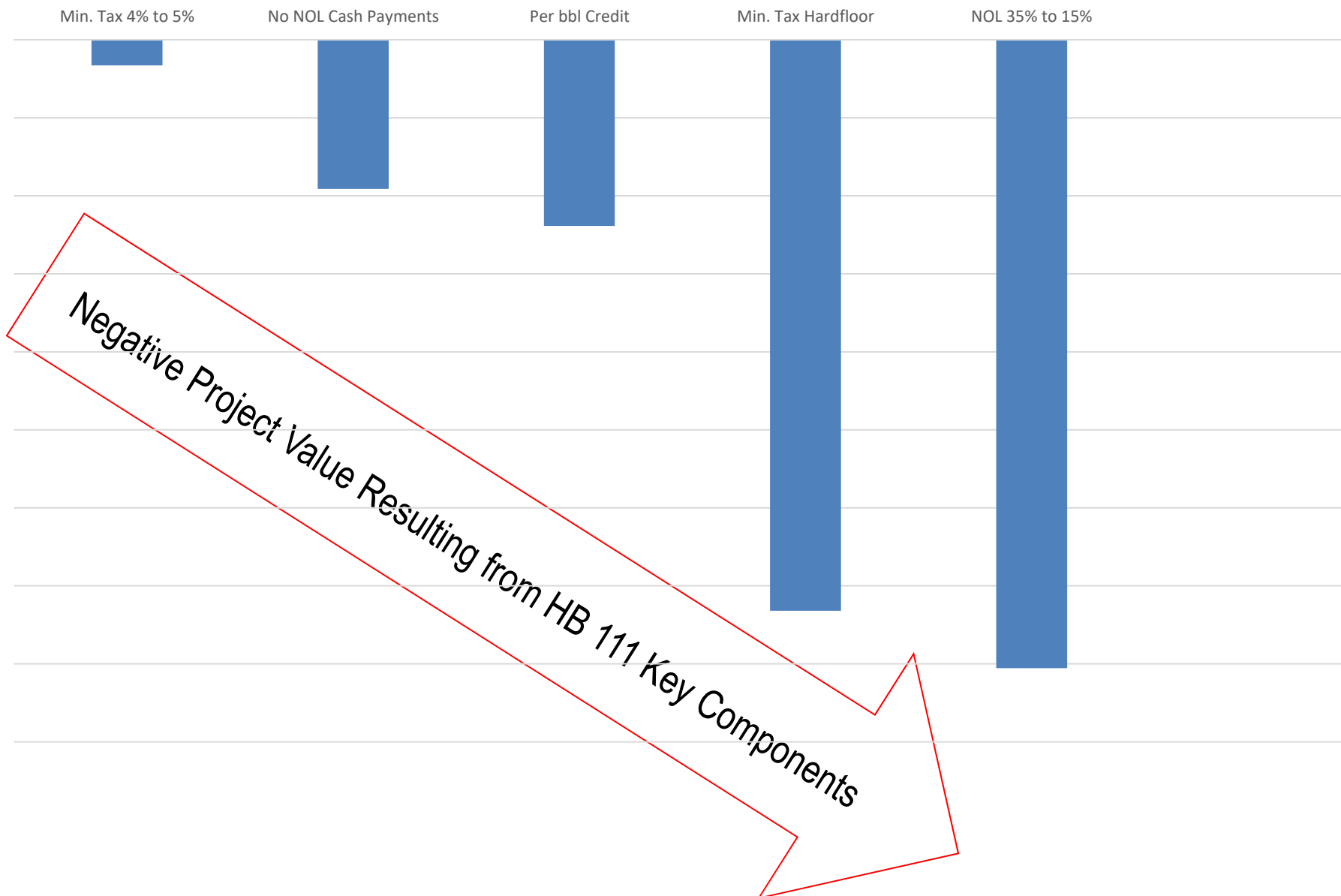


Sources: EIA Estimates from Annual Energy Outlook 2016  
Estimates for Other New Projects from publically available data and press releases



- ❖ Impacts Harmful to ALL North Slope Investors
  - Section 2      Increase to gross minimum tax
  - Section 7      Reduction in per barrel tax credit
  
- ❖ Impacts Harmful to New North Slope Investors
  - Section 5      Reduction in carried-forward annual loss
  - Section 6      Elimination of cash payment for NOL credits
  - Section 9      Reduction in production limit to be eligible for State purchase of tax credits
  - Section 11     Reduction in annual per company limit on State purchase of tax credits
  
- ❖ Policy Question:    What is Alaska's Fiscal Goal?
- ❖ How is that Goal Impacted by Each HB 111 Component (Near Term & Long Term)?

# Nuna Value Erosion Under HB 111 by Component





# Alaska's Future is our Future: Let's Get To Work!

