

# Caelus Energy Alaska

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Senate Resources Committee



*April 17, 2017*

*Casey E. Sullivan, Director Government and Public Affairs*

## Proven Explorer and Developer

- ❖ Privately held E&P company formed to pursue Alaska's North Slope opportunities
- ❖ Seasoned team with strong Apollo Global Management equity sponsorship
- ❖ Worldwide successes
  - Triton (W Africa, S America)
  - Kosmos (Ghana)
  - Pioneer (Alaska)
- ❖ Significant Alaska North Slope experience & assets
  - 100% Caelus operated
- ❖ Over \$2 billion invested in Alaska to date
  - \$300 million 2016 capital budget
- ❖ Attracted to Alaska
  - Abundant land and resources
  - Competitive oil tax system – SB 21



# North Slope Exploration & Development Program



Smith Bay Exploration Tulmaniq



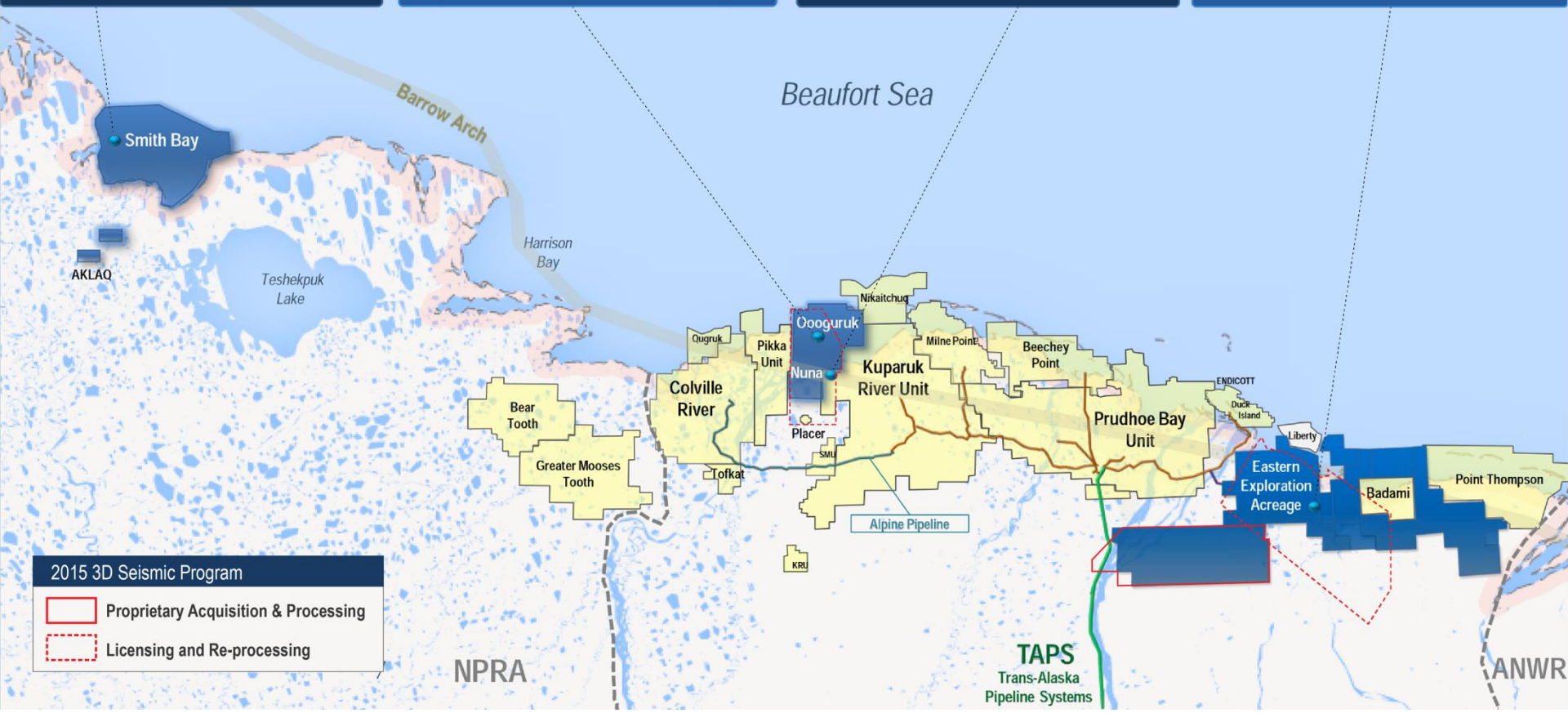
Oooguruk Unit (ODS/OTP)



Nuna Drill Site



Eastern ANS Exploration Acreage





## Overview

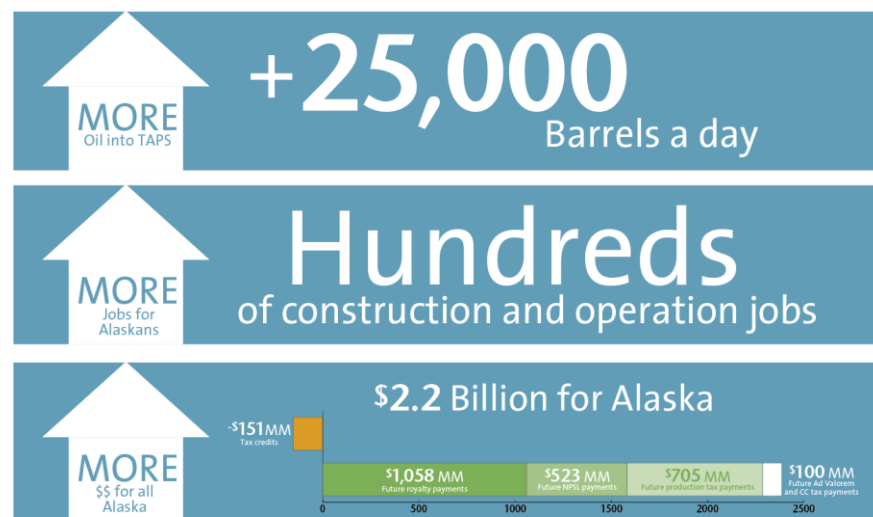
- ❖ Caelus holds 100% interest
- ❖ 2 wells confirm reservoir deliverability
- ❖ 2,800 BOPD flowed from 1<sup>st</sup> Torok well
- ❖ 100 – 150 + MMBO 2P reserves
- ❖ 20,000 to 25,000 BOPD peak production
- ❖ Completed 22-acre NDS drill pad & road
  - 600,000 CY gravel / 27,000 loads

## Economic Impact

- ❖ 300 FTE contractor construction / drilling jobs
- ❖ **\$2.2 Bn in royalties and taxes**

## Next Steps

- ❖ Investor Confidence: Price & Policy
- ❖ Construct Modules / Install Flow lines



Values based on \$70/flat NPV-20

## Overview

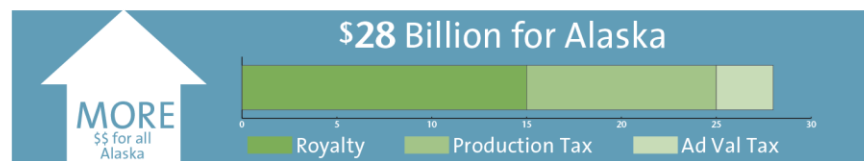
- ❖ Multiple Brookian fan complex spanning 300 mi<sup>2</sup>
- ❖ ~1,000 feet of gross pay encountered in two wells
- ❖ ~200 feet of net pay encountered in CT-1 and CT-2
- ❖ Log & Lab analyses confirms:
  - Oil ranging from 40-45 ° API gravity
  - 1.8 -2.4 Bn BBL net recoverable oil

## Economic Impact

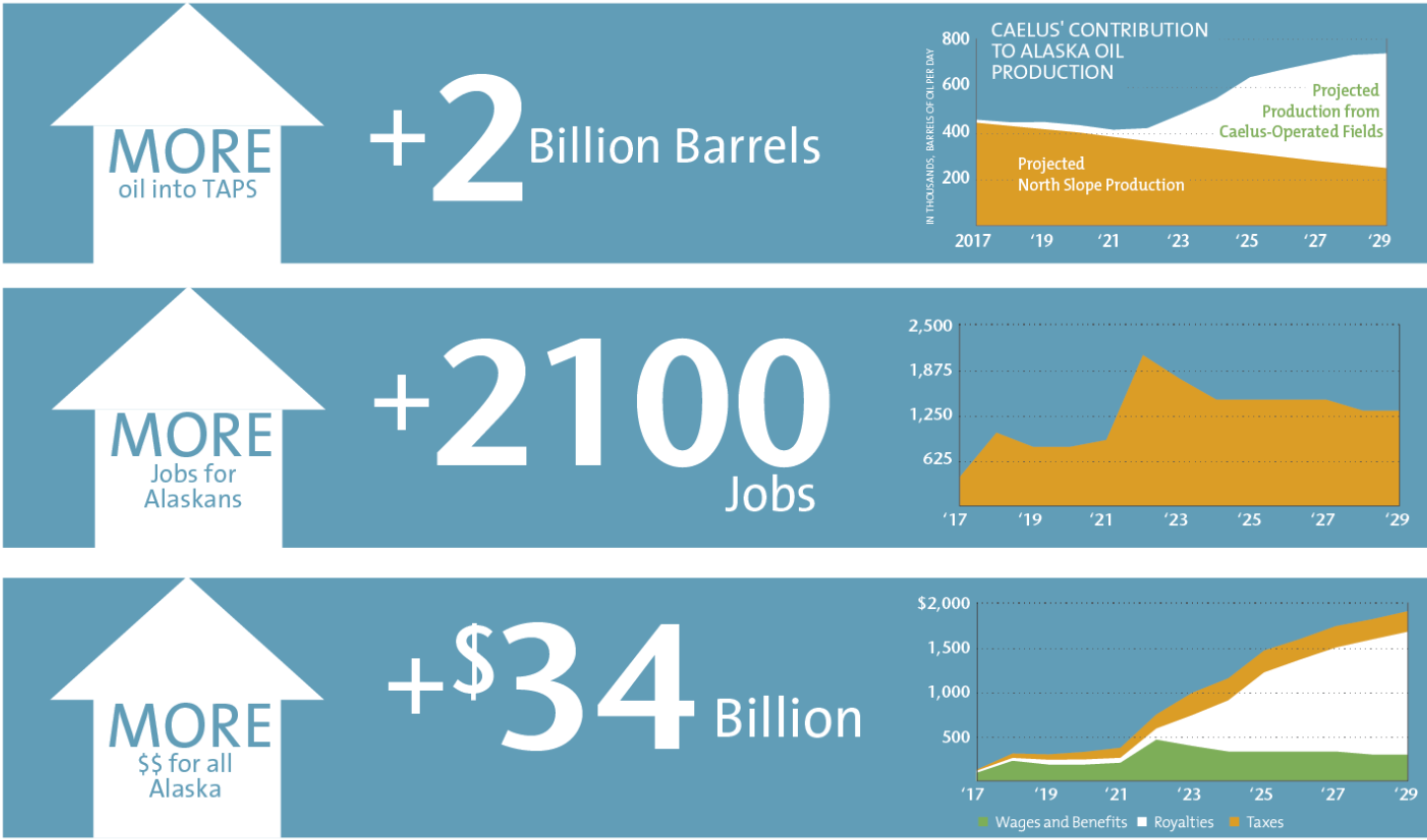
- ❖ Thousands of construction jobs at peak
- ❖ \$28 Bn in royalties, taxes and wages
- ❖ 200,000 BOPD peak flow

## Next Steps

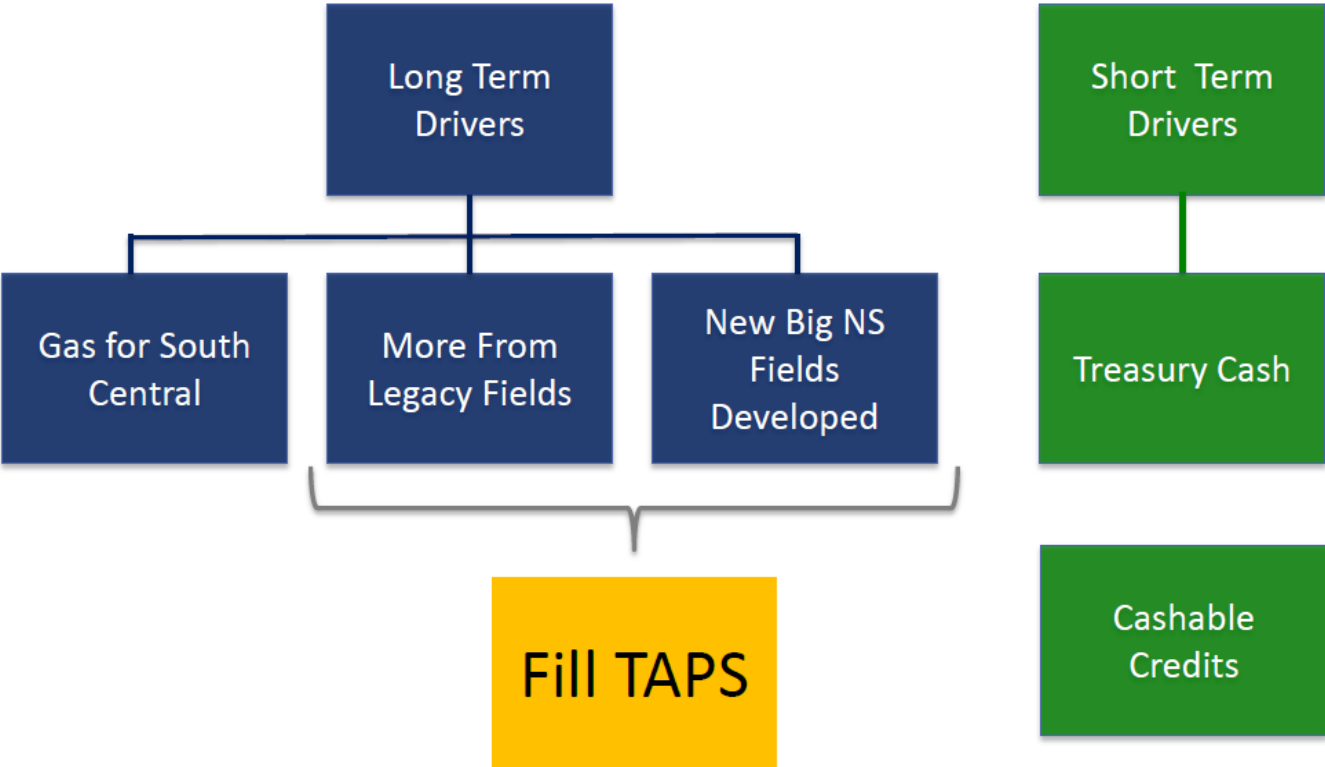
- ❖ 2018 winter appraisal well being planned
- ❖ Environmental studies
- ❖ Continued community engagement



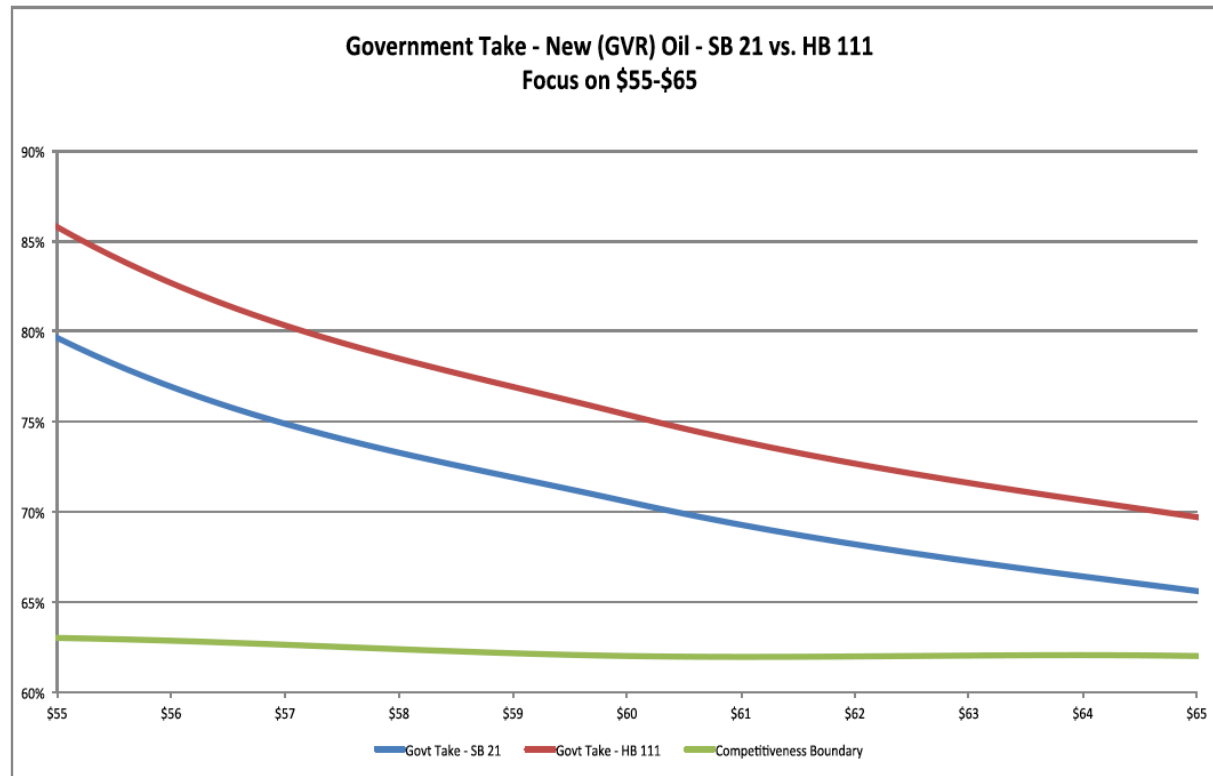
*Caelus projects could help produce a new age of renewed North Slope activity and production for the benefit of all Alaskans*



## This is How We See Alaska's Priorities



*Represents a significant tax increase that negatively impacts project economics & will result in further chilling of investment, hampering development of new fields*



On New Oil: “Effect is a tax increase at lower prices (due to the hard floor)”

Tax Director Ken Alper/ Sen Resources / April 14, 2017



- ❖ Original profits based system: level playing field for new and legacy players
  - “NOL credit aims to equalize tax system impact” – Enalytica / April 2016
  - SB 21 conscious efforts to encourage new oil / players
  - HB 247 “reformed” North Slope
    - Reduced SB 21’s GVR / capped credit on North Slope
- ❖ Shift from a NOL credit to a deduction for small companies is major policy shift
  - The NOL deduction cannot match the value of the NOL credit
  - Low price + hard floor reduces NOL / per bbl value = tax increase
  - Time limited carry forward = permanent loss of deduction value
  - No uplift as recommended by consultants for time-value
- ❖ Hard minimum tax for GVR fields represent a significant tax increase
  - Immense regressive tax = adverse effect on current future investments
  - \$5 per barrel credit enacted in SB 21 – incentivize production of new fields
    - Hard Floor vs Per bbl = Loss of significant value at current prices plus.

*“Every regime, everywhere you go, allows, especially with a development like Smith Bay, everyone who develops gets to deduct the cost of what it took them to get that production from future revenues from that project. Every regime.”*

**“To deny that would really move Alaska to the bottom of the competitive scale.”**

Castle Gap Advisors  
Senate Resources Committee,  
March 1, 2017

- ❖ Policy Goals: More Production for AK
  - More oil, jobs and revenue
  - Supports families, PFD, economy
  
- ❖ Need sound fiscal system to grow business
  - Keep small players competitive
  - Full recovery of costs + is critical to competitiveness
  - Keep Alaska in the running for investment dollars
  
- ❖ Refundable credits and certificates
  - Keep secondary market open
  - Other refund solutions



Thank you!

