

Caelus Activity Update

Resource Development Council



March 2, 2017

J. Patrick Foley, SVP Alaska Operations

North Slope Exploration & Development Program



Smith Bay Exploration Tulimanig



Oooguruk Unit (ODS/OTP)



Nuna Drill Site

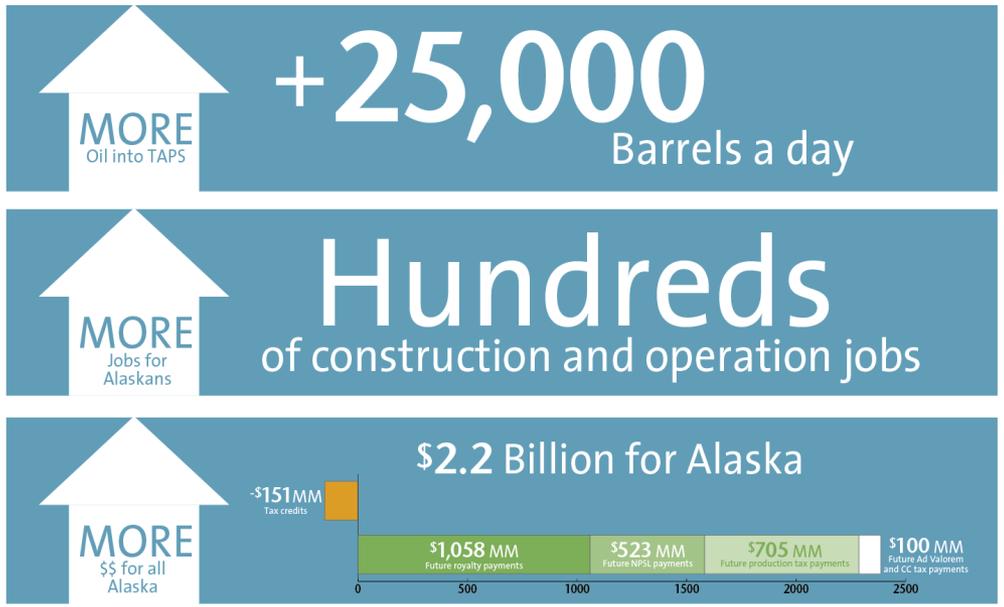


Eastern ANS Exploration Acreage



Quick Facts

- ❖ Caelus holds 100% interest
- ❖ 2 wells confirm reservoir deliverability
- ❖ 2,800 BOPD flowed from 1st 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



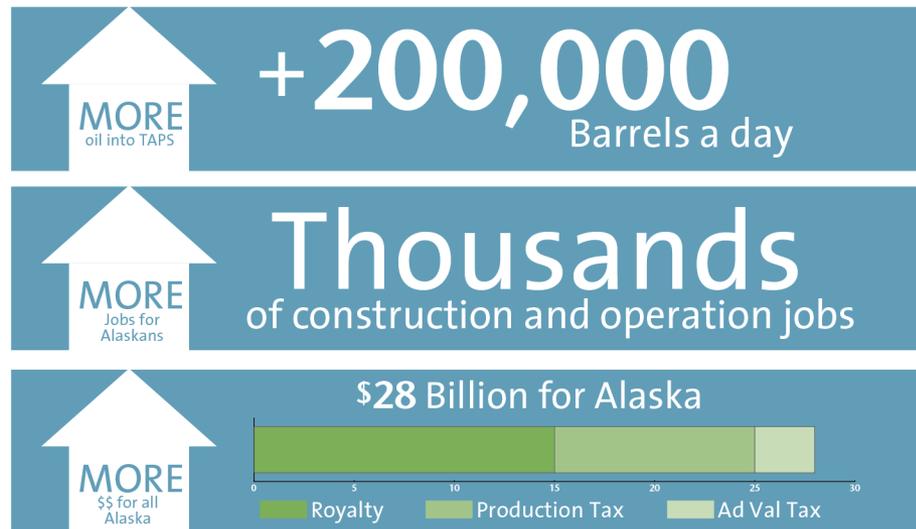
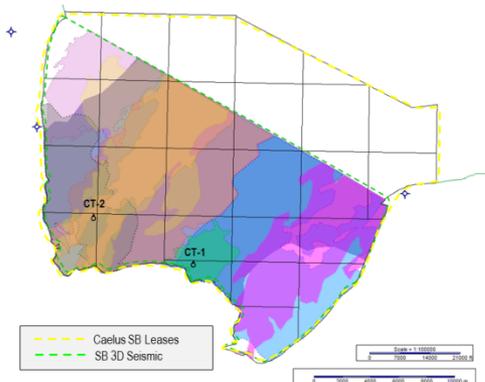
Nuna Factoid:
The Nuna drill-pad construction took over 27,000 loads and 600,000 cubic yards of gravel (equivalent to 1,700 football fields).

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

*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 mi²
- ❖ ~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.”

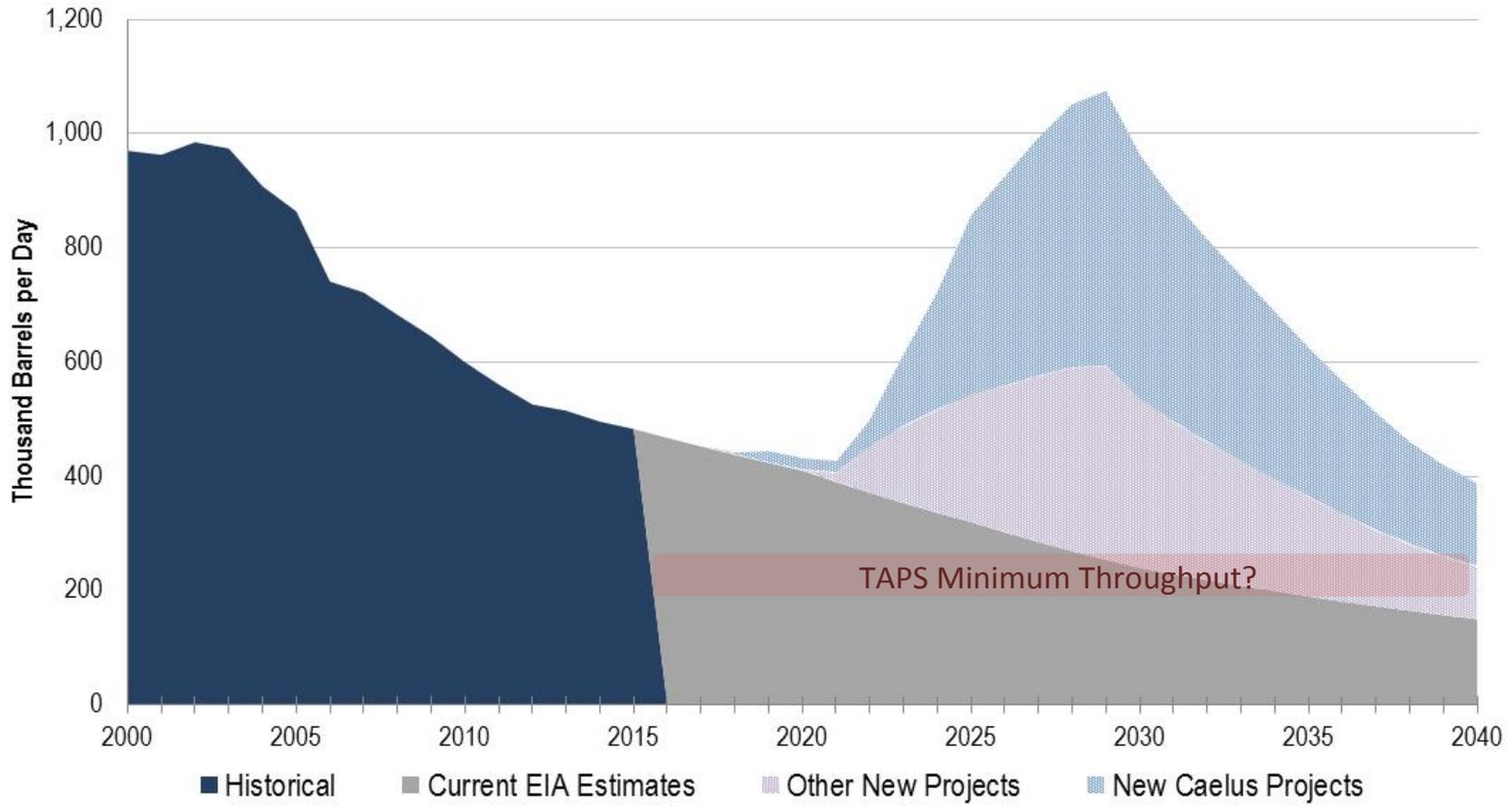
– Caelus CEO Jim Musselman

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



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

Mammoth Texas oil discovery biggest ever in USA
By Steve Visser
Updated 6:27 AM ET, Fri November 18, 2016

Parsley to spend \$2.8 billion in latest Midland basin acreage haul
HOUSTON, Feb. 9 02/09/2017
By Matt Zborowski
OGJ Assistant Editor

Parsley Energy Inc., Austin, has agreed to acquire undeveloped acreage in the Midland basin from recently formed Double Eagle Energy.

Exxon Mobil doubles its oil and gas holdings in the Permian basin for \$5.6 billion
Tom DiChristopher | @tdichristopher
17 Jan 2017 | 12:41 PM ET

Sanchez, Blackstone team to buy Eagle Ford acreage from Anadarko for \$2.3 billion
HOUSTON, Jan. 13 01/13/2017
By Matt Zborowski
OGJ Assistant Editor

Sanchez Energy Corp., Houston, and funds managed by private equity firm Blackstone Energy Partners LP have entered a 50-50 partnership and agreed to acquire working interest in 318,000 gross operated acres in the western Eagle Ford shale of South Texas from Anadarko Petroleum Corp., The Woodlands, Tex., for \$2.3 billion.

Would you invest in Alaska if tax policy has changed 7 times in 12 years?

Dates	Tax Policy Change	Increase/Decrease?
Feb. 2005- March 2006	Aggregated ELF – Administrative decision altering gross production tax	Tax Increase
April 2006- July 2007	Petroleum Production Tax (PPT)	Tax Increase
July 2007- 2013	Alaska’s Clear and Equitable Share (ACES) *	Tax Increase
2010	Cook Inlet Recovery Act	Incentives for Industry
2014	SB 21	Both
2016	HB 247 – Gov. Walker’s oil tax reform	Tax Increase
2017	<i>Proposed HB 111 – House Resources</i>	Tax Increase

* Some provisions of ACES made retroactive to enactment of PPT, others to 1/1/2007

Few other regions consider oil/gas changes more than Alaska.



- ❖ Impacts Harmful to ALL North Slope Investors
 - Section 2 Increase to gross minimum tax
 - Section 7 Reduction in per barrel tax credit

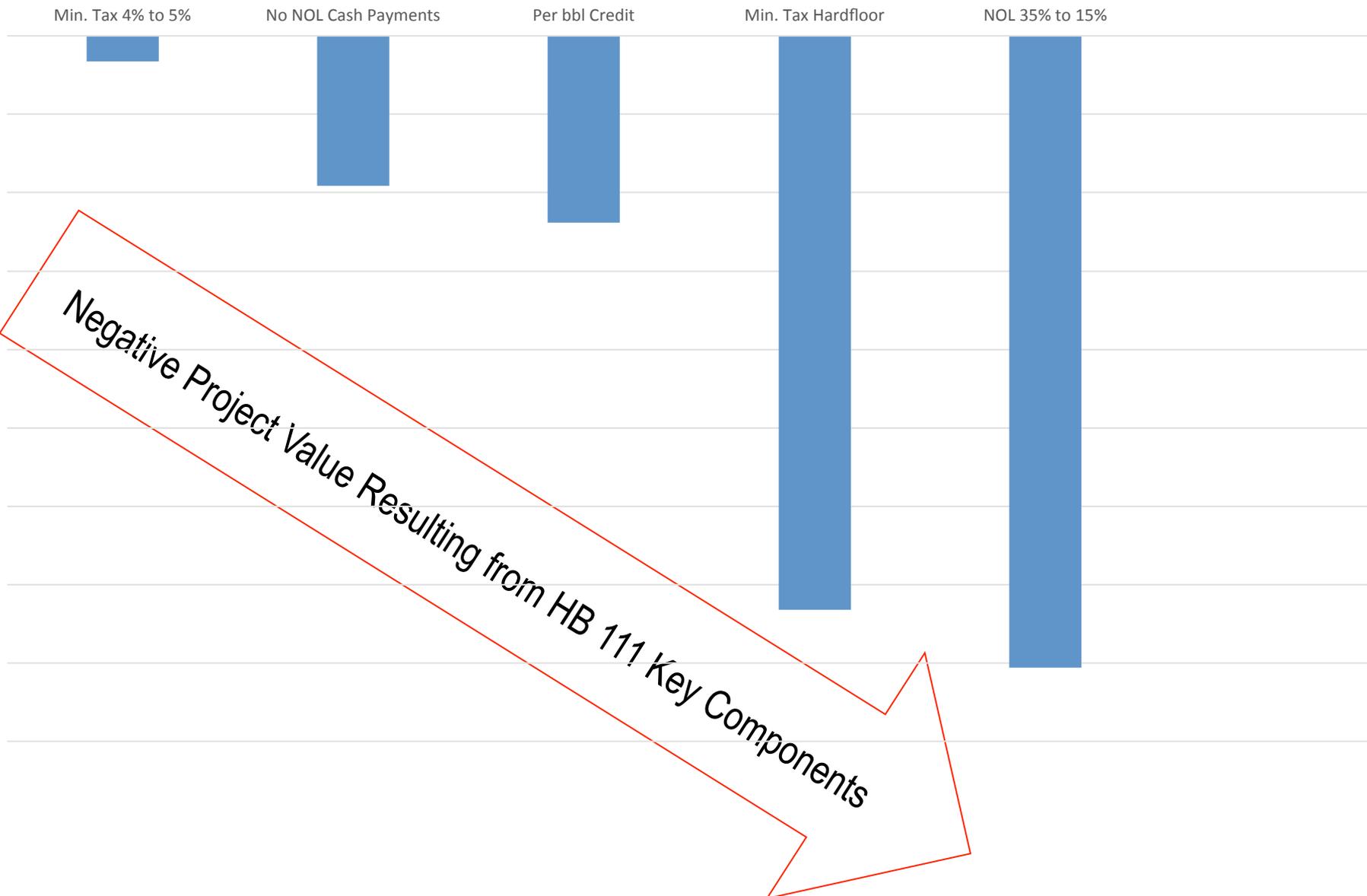
- ❖ Impacts Harmful to New North Slope Investors
 - Section 5 Reduction in carried-forward annual loss
 - Section 6 Elimination of cash payment for NOL credits
 - Section 9 Reduction in production limit to be eligible for State purchase of tax credits
 - Section 11 Reduction in annual per company limit on State purchase of tax credits

What is Alaska's Oil Tax Policy?

How is that Goal Impacted by Each HB 111 Component ?

(Near Term & Long Term)

Nuna Value Erosion Under HB 111 by Component



“... elimination of the NOL would have made it harder for independents to proceed with their projects”

Tax Director Ken Alper, Alaska Department of Revenue
(February 1, 2017)

“New players should be encouraged to increase activity ... they bring a fresh perspective”

Alaska: great rocks but high costs – “These risks need to be offset by favorable tax features”

Cashable Credits: “Operators should be allowed to recover their costs and NOLs ... with some form of uplift to account for the time value of money”

Rich Ruggiero, Castle Gap Group Advisors
(February 27, 2017)

Remote Wildcat Exploration - Any Guesses Where?



Remote Wildcat Exploration - Any Guesses Where?



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

