

Senate & House Contact Listing

Michael Nizich, Governor's Chief of Staff

Joe Balash, Deputy Commissioner DNR

Senate Listing;

Bert Stedman **R**

Cathy Giessel **R**

Tom Wagoner **R**

Kevin Meyer **R**

Joe Paskvan **D**

Hollis French **D**

Lesil McGuire **R**

Gary Stevens **R**

House Representatives Listing;

Bill Stoltze **R**

Neil Foster **D**

Speaker of the House Mike Chenault **R**

Charisse Millet **R**

Berta Gardner **D**

Paul Seaton **R**

Mike Hawker **R**

Lance Pruitt **R**

Peggy Wilson **R**

Beth Kertulla **D**

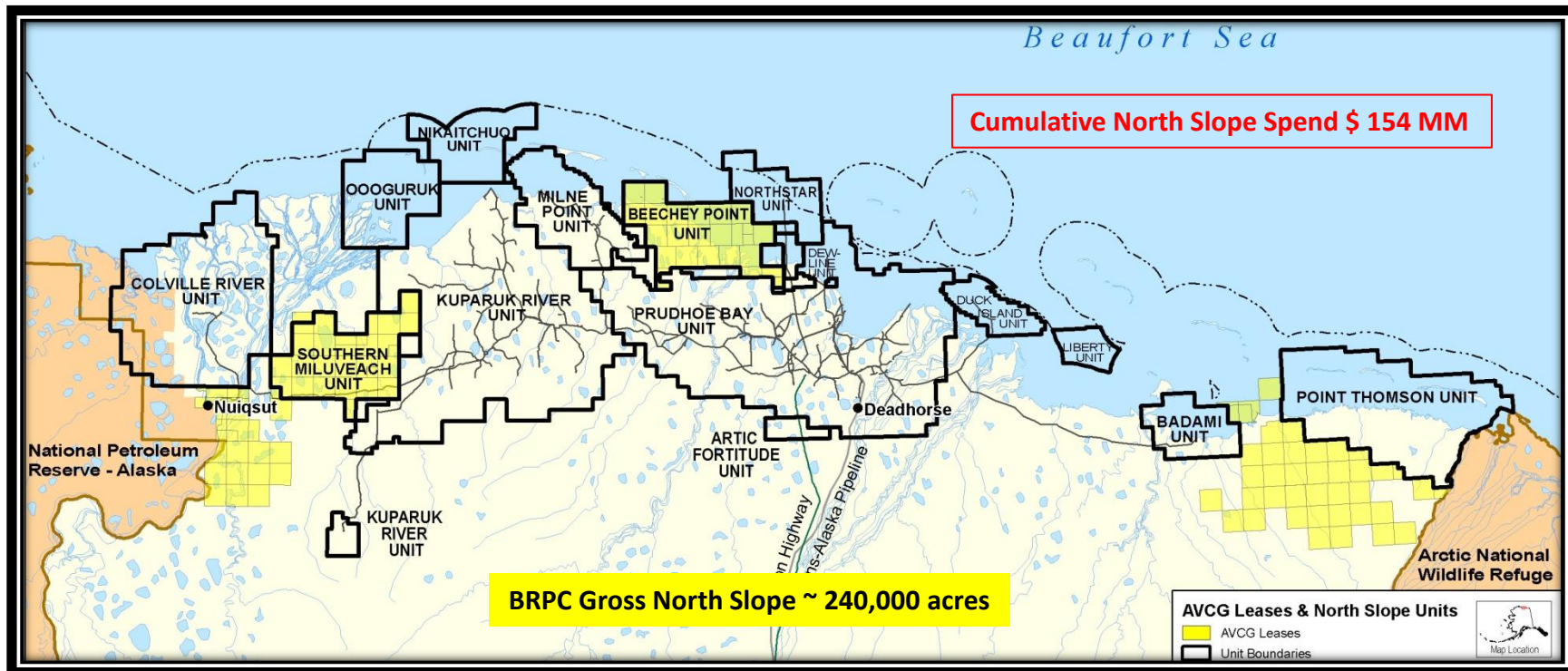
Eric Feige **R**

Alan Austerman **R**

David Guttenberg **D**



Brooks Range Petroleum Corporation North Slope of Alaska



Western ~ 94,142 acres

Activity

Acquired 220 sq. mi. new 3D seismic
 Drilled Toftkat #1, 1A, & 1B wells
 Kuparuk discovery, not tested
 Forming the Southern Miluveach Unit

Plan

Drill North Tarn #1 well Brookian/Kuparuk test
 Progress 3D seismic and prospects
 Exploit resource plays in area

Central ~ 52,878 acres

Activity

Acquired 130 sq. mi. new 3D seismic
 Drilled North Shore #1, 1A, & 3
 Drilled Sak River #1 & 1A
 2000+ BOPD tested from Ivishak
 Formed Beechey Point Unit

Plan

Drill East Shore Kuparuk formation test
 Progress Plan of Development of known reserves
 Obtain approval of development sanctioning

Eastern ~ 89,800 acres

Activity

Purchased license to 300 line miles 2D seismic

Plan

Acquire 150 sq. miles of 3D seismic
 Continue to progress 2D data
 Monitor Point Thomson activities

North Slope Business Strategy

- ✓ **Balanced Management Team**
 - Combining experienced professionals from Alaskan Majors and Independent Producers
- ✓ **Maintain balanced exploration portfolio**
 - Focus on light hydrocarbon systems
 - Stay **ONSHORE** and near infrastructure
- ✓ **Apply best technology and practices**
 - Acquire state-of-art proprietary 3-D
 - Build on past drilling seasons
- ✓ **Implement lower cost, independent inspired development strategies; shorten cycle times**
 - Onsite, standalone modular processing technology
 - Leverage existing pipeline infrastructure
- ✓ **Be safe and environmentally responsible**
 - Proactive in HS&E compliance standards

AVCG, LLC

8100 E 22nd Street North, Bldg #1100
 Wichita, Kansas 67226
 tel 316.684.6508 | Edger Dunne

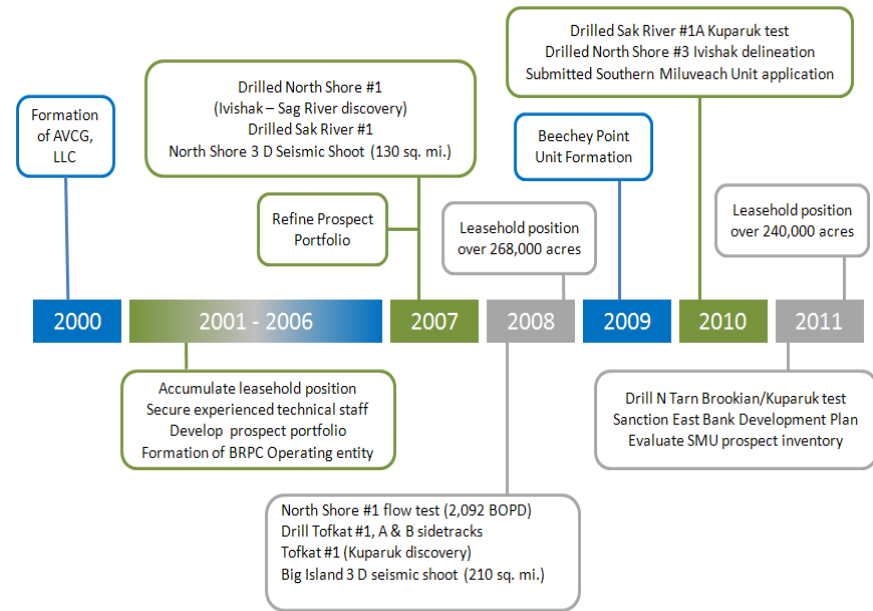
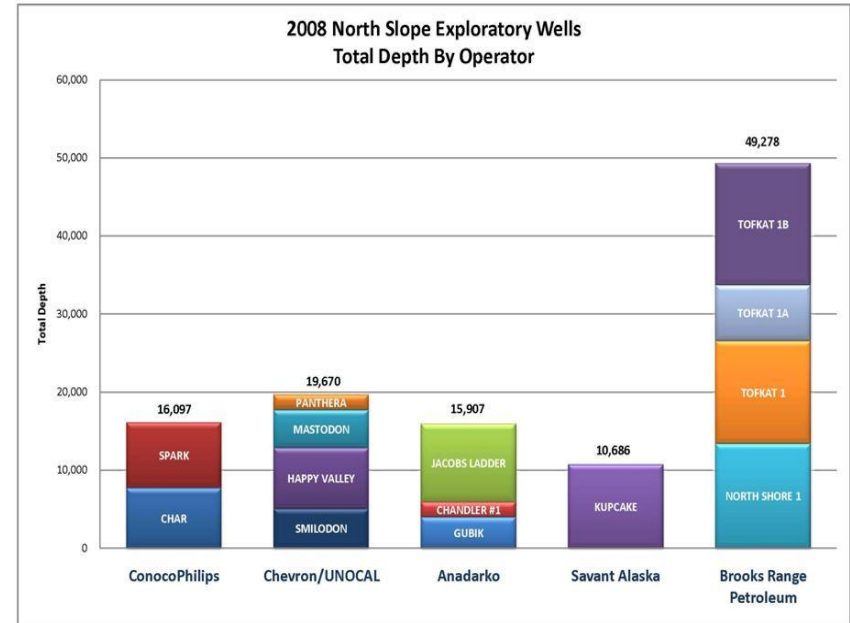
Ken Thompson - Managing Director
 C. Edger Dunne - Exec. Managing Member
 David L. Murfin - Managing Member
 John Shawver - Managing Member
 Michael D. Carney - Managing Member

Brooks Range Petroleum Corporation

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 Anchorage, Alaska 99501
 tel 907.339.9965

John J. "Bo" Darrah - President/CEO
 Bart Armfield - VP Operations
 Doug Hastings - VP Exploration
 Larry Vendl - Chief Geologist
 Larry Smith - Chief Geophysicist
 Jim Winegarner - VP Land & External Affairs
 Tom Habermann - Controller

- Credibility** – Sound operational status with AOGCC, DOG, DNR, DOR, ADEC and vendor community
- Cash** – Invested in excess of \$ 154 MM by YE 2011
- Commitment** – 10 years of North Slope activity with 340 sq. miles of new 3D seismic, 9 new exploration penetrations, pending development sanctioning



COMMON GOAL : Slow or level the decline of oil production and throughput in Alaska

Support of the Governor's proposed changes

- Revise the progressivity surcharge to the "bracketed tax structure" with calculations made annually instead of monthly
- Cap the total tax at 50% when oil prices top \$92.50/bbl
- For development of new fields outside existing production units, the base tax rate will be 15% instead of 25% and cap the total tax at 40%
- Accelerate the payment for exploration and other qualified capital investments to one year vs. two years
- Increase the tax credits for "qualified capital" investments from the current 20% to 40%

Extend indefinitely the "Small Producer Tax Credit" of \$12MM a year from expiring on May 1, 2016 (or certainly extend another 5 years to May 1, 2021 then re-assess at that time). This is an item not currently in current bills but would be helpful in attracting new long-range development capital for BRPC and others like our company.
published processing tariffs and availability of excess capacity.

Do not mandate regulation of current existing facilities for facility-sharing as proposed in HB 138, but do amend this bill to allow for the option for new facility owners to elect, or take the option, to be regulated. Consider optional tax credits or full recovery of capital on new processing facilities if operators opt to share those facilities with other producers. The owners of any new build facility that receive these facility tax credits or recovery of capital should be required to post published processing tariffs and availability of excess capacity.



Global Competition

Side note: effect upon AVCG relative to Bow Valley/Dana Petroleum, i.e. Dana Petroleum elected not to participate on North Slope because of better tax treatment and higher returns in North Sea

UK North Sea Exploration / Development

Substantial tax incentives enacted in n2009 to encourage development
NEW FIELDS EXEMPT FROM 20% SUPPLEMENTARY SURCHARGE IT LEVIES ON TOP OF 30% CORPORATION TAX – EXEMPTIONS APPLY TO FIRST \$ 1.3 BILLION OF EACH FIELDS TAXABLE INCOME

2010 VS 2009 : 1Q,drilling up 29%; drilling 2Q up 133%

Anticipate significant new production

North Dakota to Surpass Alaska in Daily Production

Suspension of severance tax for initial development, i.e. "Severance Tax Holidays"

Expedited permitting by State

650 new wells drilled in 2010 with 168 per month in December!

Reserve estimates of 5-11 billion bbls compared to Prudhoe 13 bbl

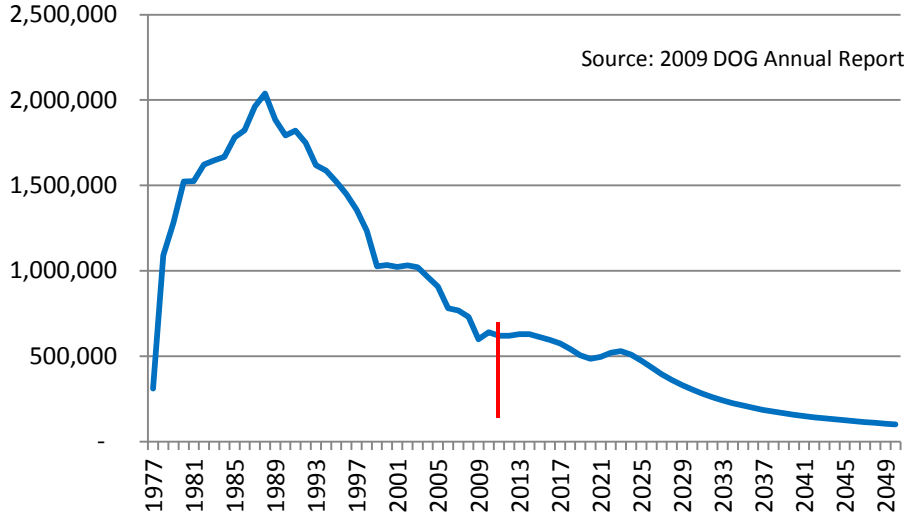
Record oil production **ON THE INCLINE** to double this decade

370,000 BOPD to increase to 700,000 BOPD and surpass Alaska

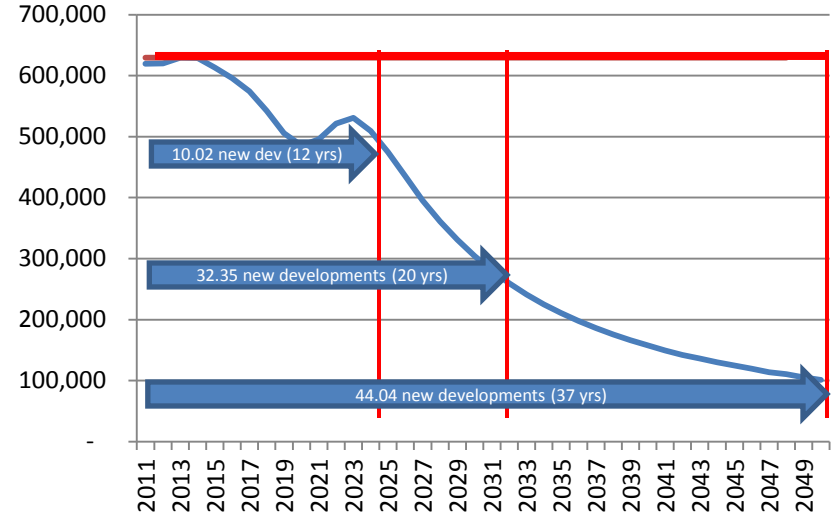
Israel : Oil tax structure

Increase government take from 30% to 52% - 62%
Maintain 30% rate until producer recovers 200% of investment

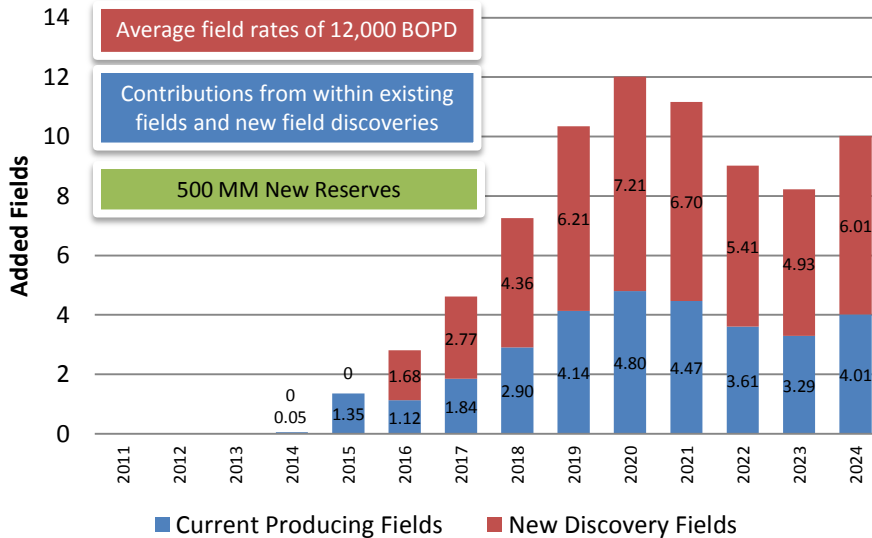
Current History & Forecast



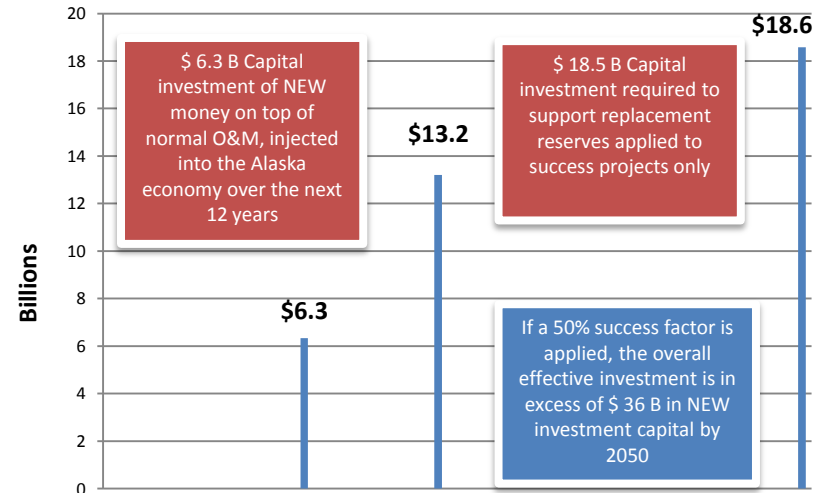
Forecast & Flat Production Target



Required Field Additions to Flatten Decline



Cumulative Spend to Support Finding & Development



Plan - 2050

PHASE I Add 10 new fields over next 12 years with average 12,000 BOPD/ field

Increase recoverable reserves by 500 MM by 2024

Inject \$ 6.3 billion in new capital for development projects

PHASE II Add 22 new fields between 2024 and 2031 with 12,000 BOPD/field

Increase recoverable reserves by 1.6 B by 2031

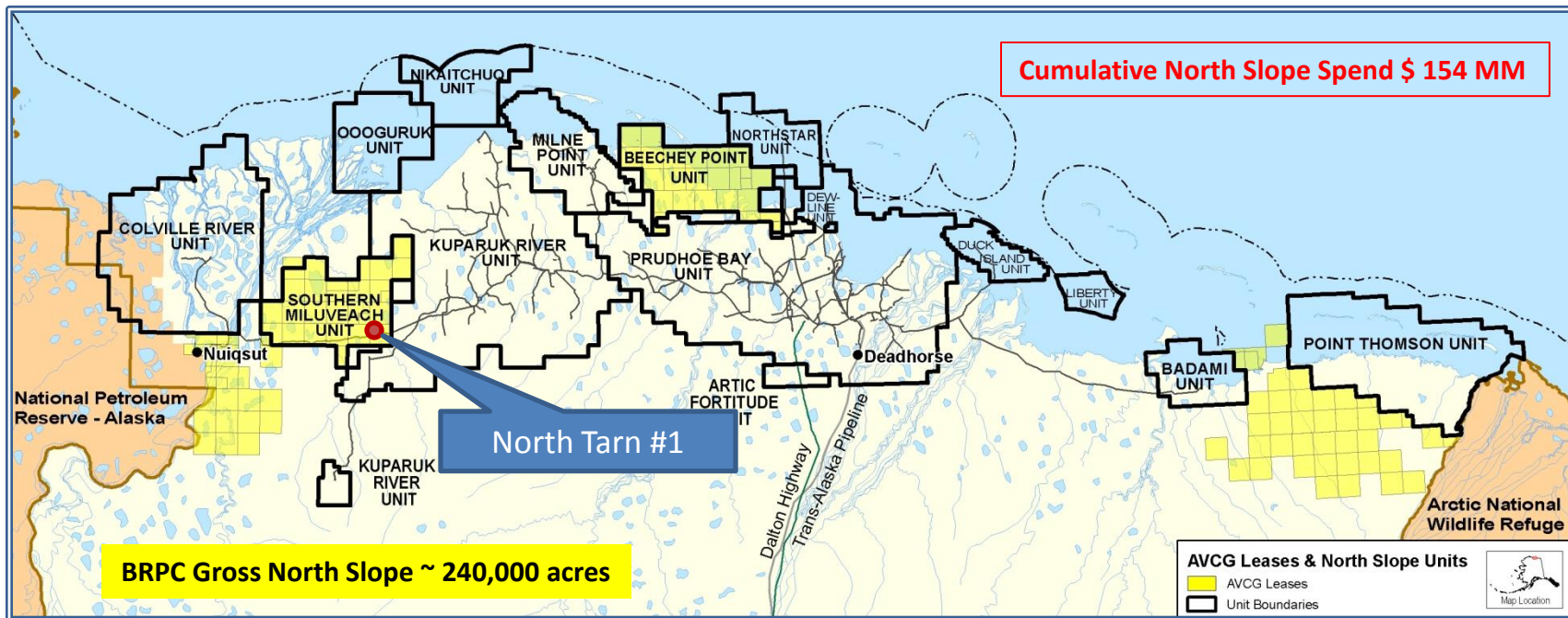
Inject \$ 13.2 billion in new capital for development projects

PHASE III Add 12 new fields between 2031 and 2050 with average 12,000 BOPD/field

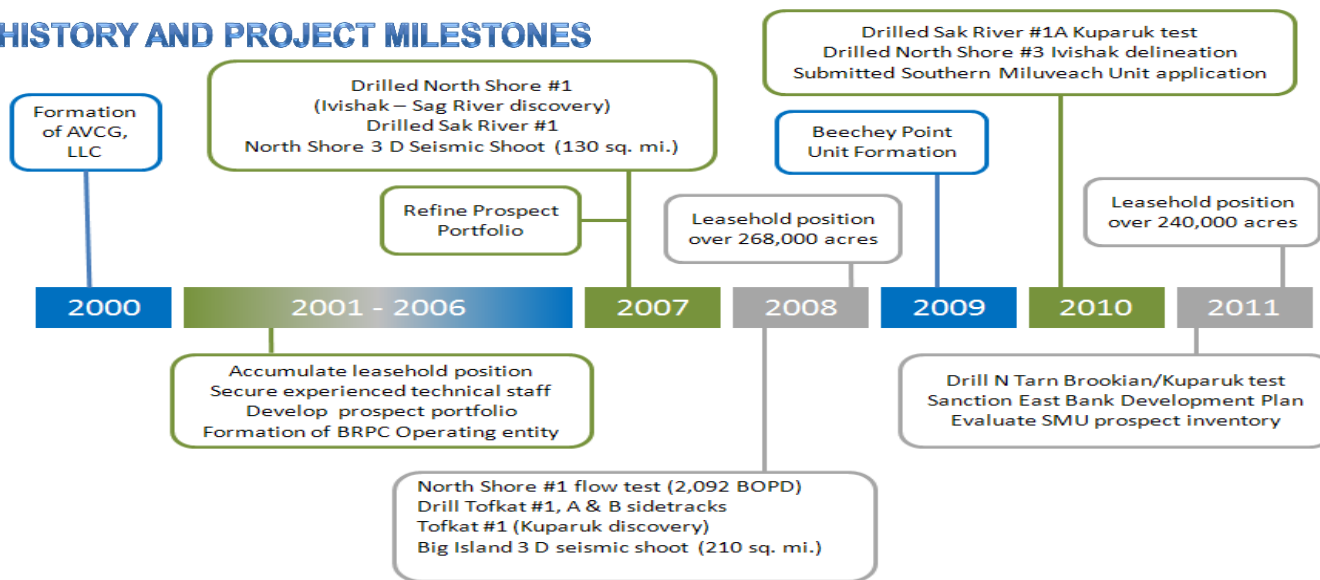
Increase recoverable reserves by 600 MM from 2031 to 2050

Inject \$ 18.6 billion in new capital for development projects

44 new field
2.2 billion in added reserves
\$ 18.6 B new investment capital



10 YEAR HISTORY AND PROJECT MILESTONES



- ❖ WIO's represented by BRPC are committed to Alaska and currently have a \$ 154 MM investment that needs to perform
- ❖ Current business plan approved by our investors has a timeline which reflects first oil and revenues from production in mid 2013
- ❖ Each year we delay, has an adverse effect on the investments ROI and IRR
- ❖ Current economic models used by BRPC, marginally support an acceptable IRR on smaller targeted accumulations with an assumption that reserve base would expand to include other prospect potential in the project area
- ❖ An increase in tax rate and a reduction in capital credits would have a negative reaction when applied to current models most certainly moving the project to an un-economic portfolio position and would shorten our active participation on Alaska's North Slope
- ❖ Increased capital credits, lowering of the base rate and progressivity when applied to our model would assure an attractive IRR, and would foster a more aggressive prospect portfolio and in turn, provide encouragement to our WIO's for added funding for our NS projects.
- ❖ Elevate the interest level of other players with a watchful eye on Alaska

COMMON GOAL : Slow or level the decline of oil production and throughput in Alaska

Support proposed changes in HB 110 :

- ✓ Revise the progressivity surcharge to the "bracketed tax structure" with calculations made annually instead of monthly
- ✓ Cap the total tax at 50% when oil prices top \$92.50/bbl
- ✓ For development of new fields outside existing production units, the base tax rate will be 15% instead of 25% and cap the total tax at 40%

A "bracketed structure with reduced base rate and cap" would support BRPC's ongoing activity level in Alaska by providing a more favorable economic structure and near term effect on our eventual ROI and IRR with respect to our pursuit of smaller and normally marginal accumulations.

- ✓ Accelerate the payment for exploration and other qualified capital investments to one year vs. two years

The acceleration of credit recovery payments to a one year cycle would allow for the planning and execution of an expanded work program and an increased level of activity and the associated employment base and support services required to perform relative project support

- ✓ Increase the tax credits for "qualified capital" investments from the current 20% to 40%

An increase in qualified capital credits to 40% would provide immediate impact to BRPC's project investment base and would extend our ability to encourage additional and continued capital investment from our current WIO's therefore providing more opportunities for successful discoveries and future development projects

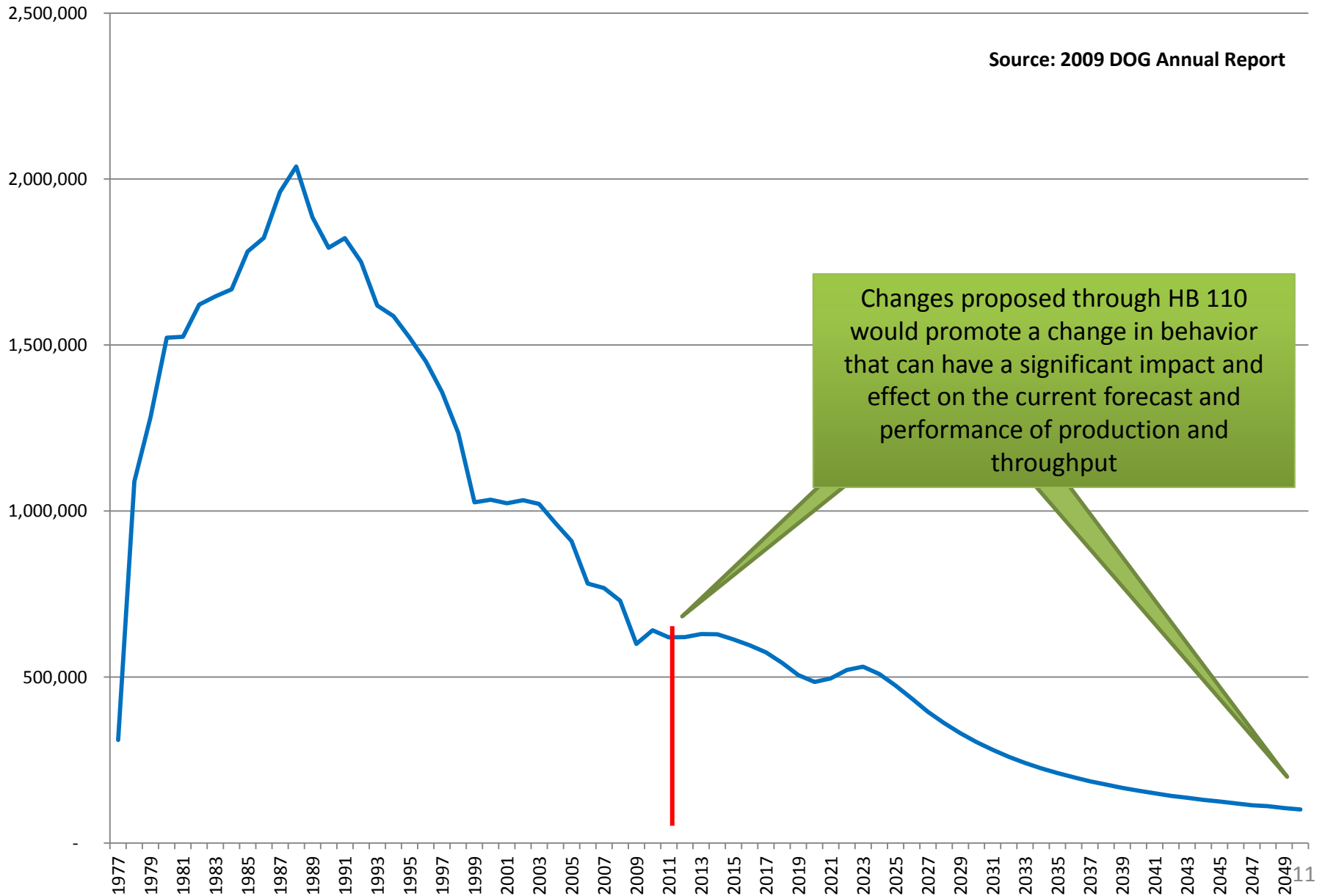
- ✓ Extend indefinitely the "Small Producer Tax Credit" of \$12MM a year from expiring on May 1, 2016 (or certainly extend another 5 years to May 1, 2021 then re-assess at that time). This is an item not currently in current bills but would be helpful in attracting new long-range development capital for BRPC and others like our company.

Currently, we have a sanctioning proposal in front of our WIO's that projects first oil and revenues in 2013, under the current sundown of the Small Producers Credit, a second development would be limited to a 3 year window to optimize this credit and we would propose an extension through 2021 to allow our future projects maximum effect



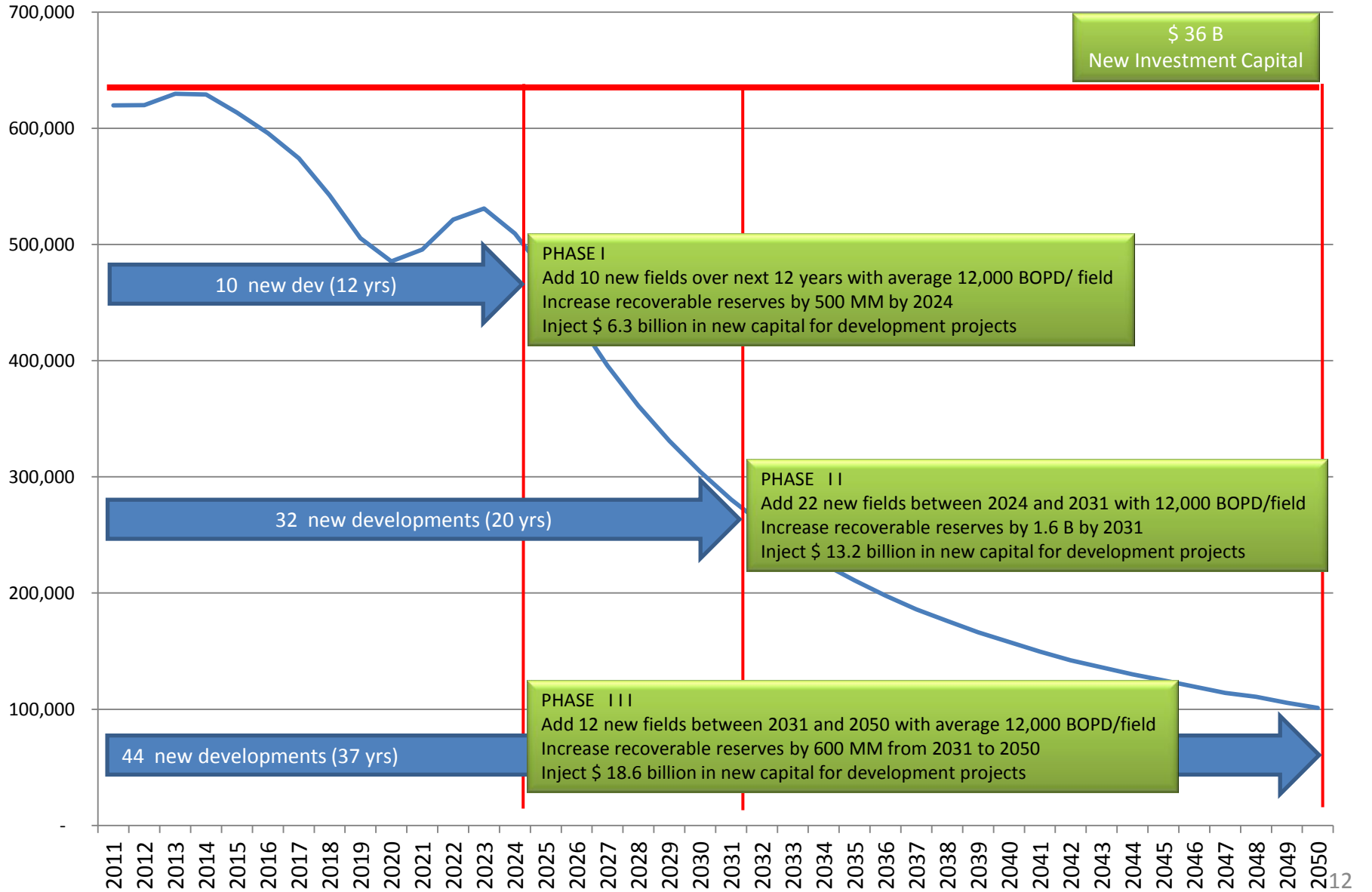
HB 110 - Opportunity to Change the Current Trend

Source: 2009 DOG Annual Report

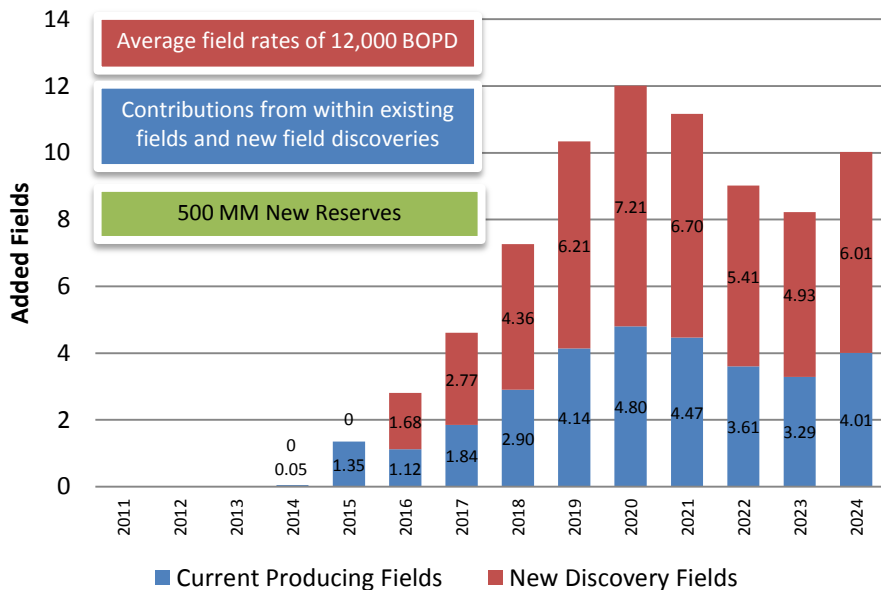




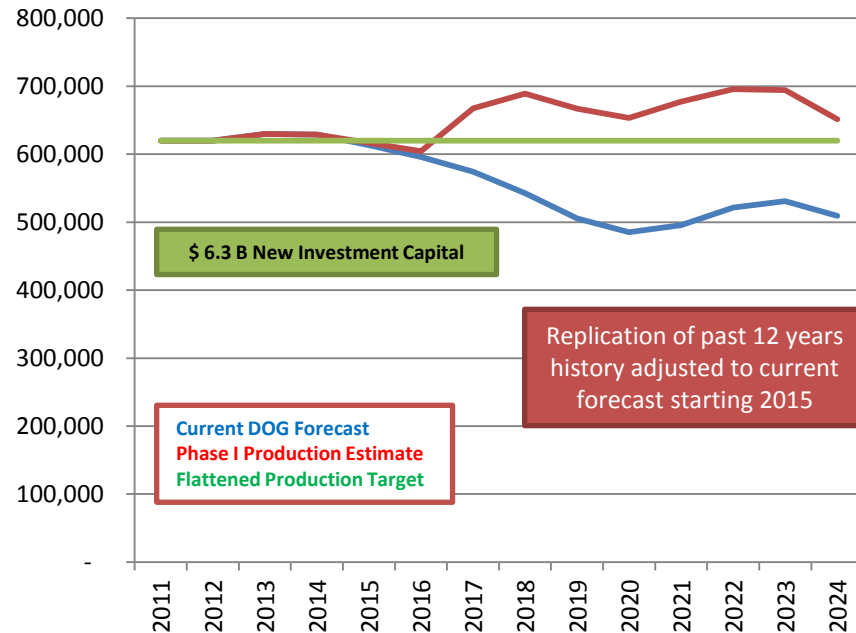
Current Forecast with Flattened Production Target



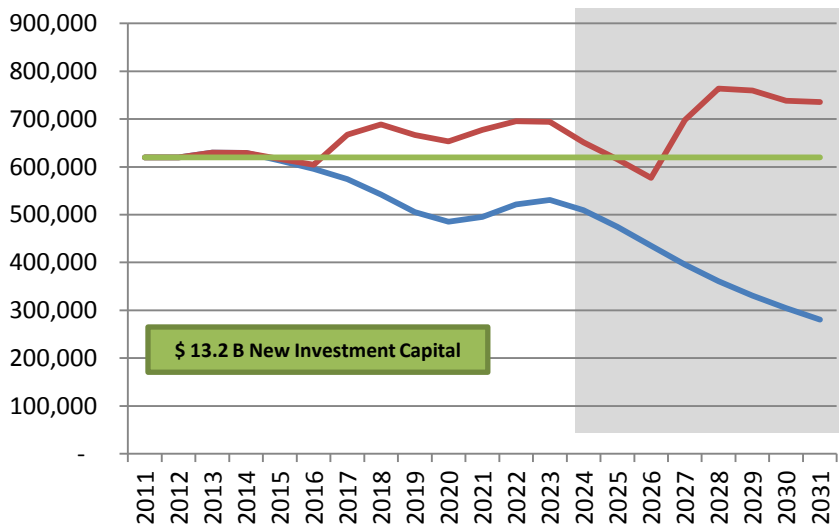
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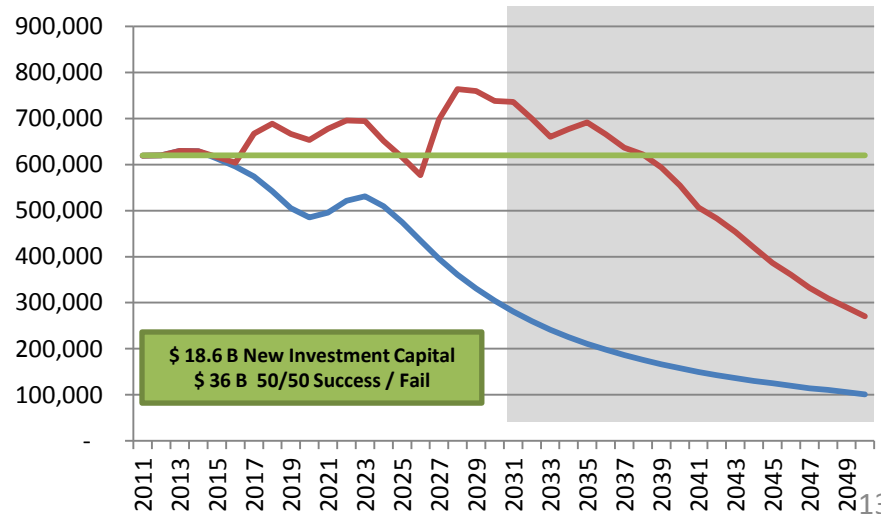
PHASE I - 10 New development projects over next 12 years

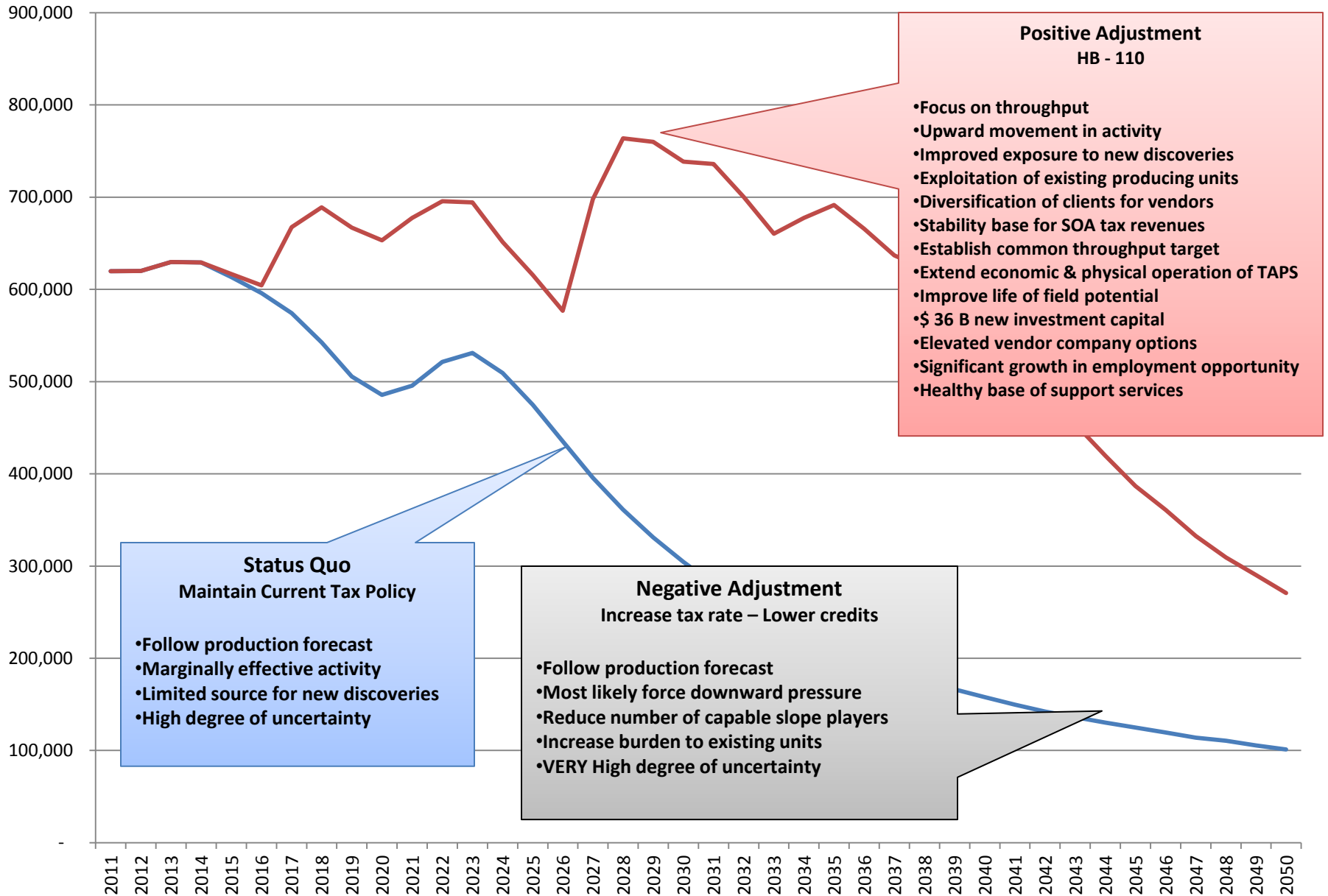


PHASE II - 22 New development projects 2024 - 2031



PHASE III - 12 New development projects 2031 - 2050





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