

# Your Future is Our Future

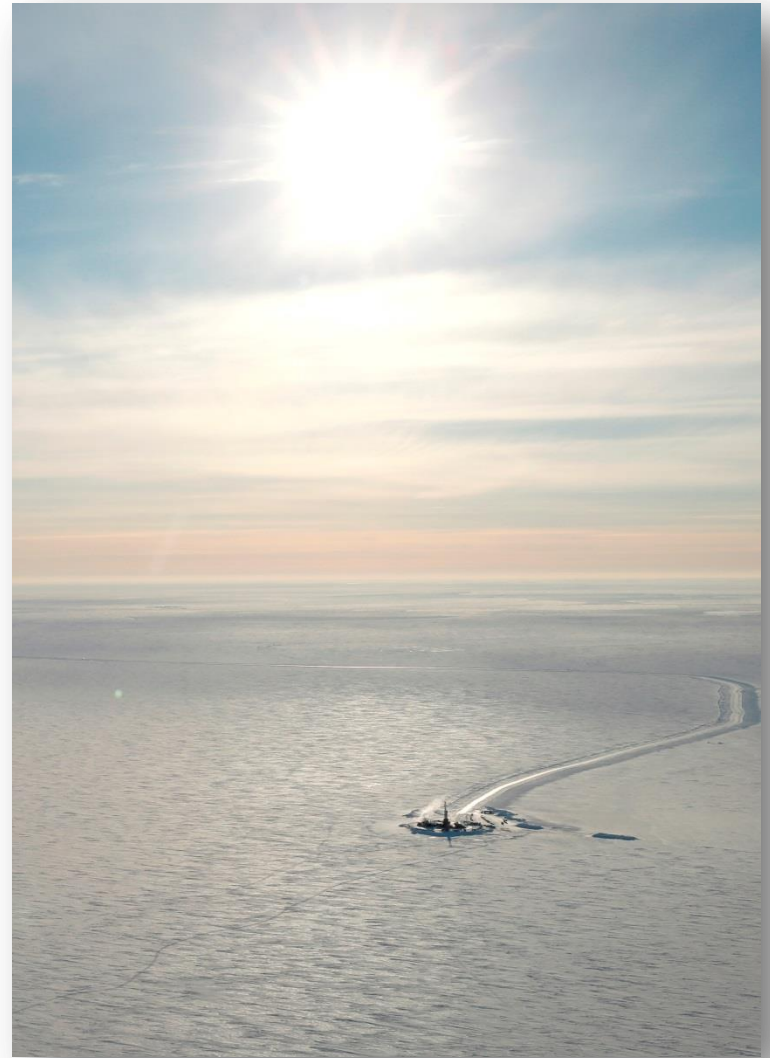
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Alliance Breakfast, 27 Oct

*Pat Foley, SVP Alaska Operations*



- ❖ Who is Caelus Energy?
  - History
  - Assets & activities
  - Smith Bay discovery
  
- ❖ Alaska's Production Dilemma
  
- ❖ Common Goals
  - Economic and fiscal stability
  - Let's get to work, for Alaska!



## 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 success
  - 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



## A Trusted Independent and Partner

- ❖ Operational excellence is paramount
  - ❖ 2015 record annual production & uptime
  - ❖ 2015 company best safety record
  - ❖ No recordable injuries in over 700k man hours
- ❖ Explore for and produce oil the right way
  - ❖ Excellent spill prevention performance
  - ❖ Go above and beyond required practices
- ❖ Community partner and active participant
  - ❖ Strong working relationships with stakeholders, local, state & federal agencies
  - ❖ Supporter of many statewide and North Slope charitable organizations



## Producing Economic Benefits for Alaska (2015 annual data)

Direct Jobs	~75 (84% AK Hire)
Contractors	~ 600 Jobs
Charitable Giving	~ \$350,000
Oil Production	> 25 million barrels produced since start of production in 2008 (gross)
Royalties & Taxes	>\$150 MM (cumulative – net)



# North Slope Exploration & Development Program



Smith Bay Exploration 'Tulimaniq'

Oooguruk Unit (ODS / OTP)

Nuna Drill Site

Eastern ANS Exploration Acreage



2015 3D Seismic Program

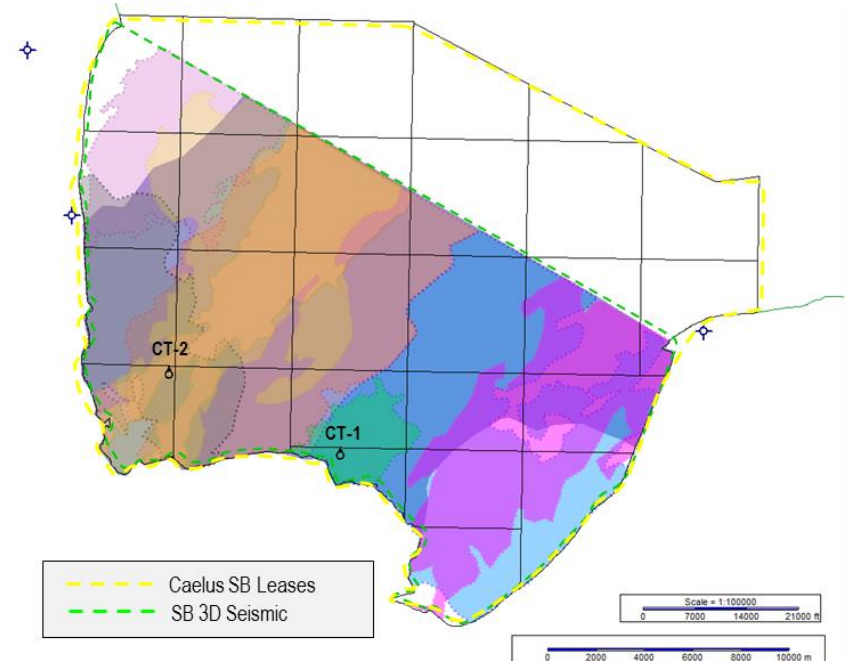
- Proprietary Acquisition & Processing
- Licensing and Re-processing

*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

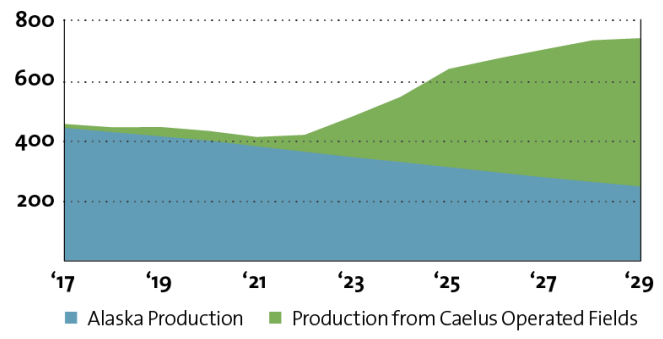
- ❖ Multiple Brookian fan complex spanning 300 mi<sup>2</sup>
- ❖ ~1,000 feet of gross pay encountered in two wells
- ❖ ~200 feet of net pay encountered in CT-1 and CT-2
- ❖ Log & Lab analyses confirms:
  - The presence of reservoir-quality sandstones
  - Oil ranging from 40-45 ° API gravity
- ❖ 2018 winter appraisal well being planned
- ❖ The Smith Bay development has the potential to:
  - Provide 200,000 barrels per day into TAPS
  - Thousands of local jobs
  - ~\$28 Bn in total State of Alaska revenues \*
    - Royalty ~\$15 Bn
    - Production Tax ~\$10 Bn
    - Ad Val Tax ~\$3 Bn

\* 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 Projected Economic Impact: Next 12 Years

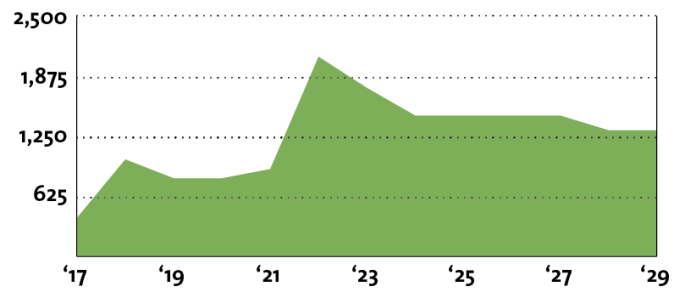


More Oil into TAPS

Caelus Projected Economic Impact 2016 - 2040

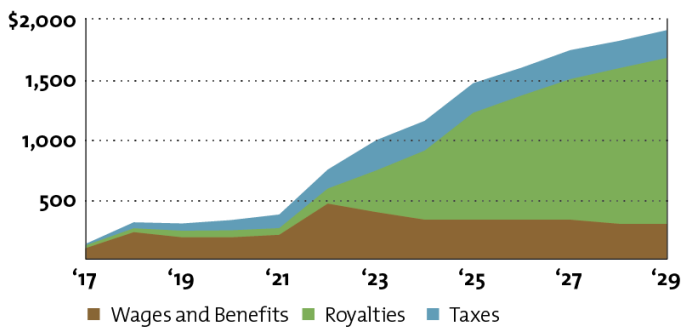
**+ 2 Billion Barrels**  
(Lifecycle)

More Jobs for Alaskans



**+ 2100 Jobs**  
(Peak)

More \$\$ for all Alaska

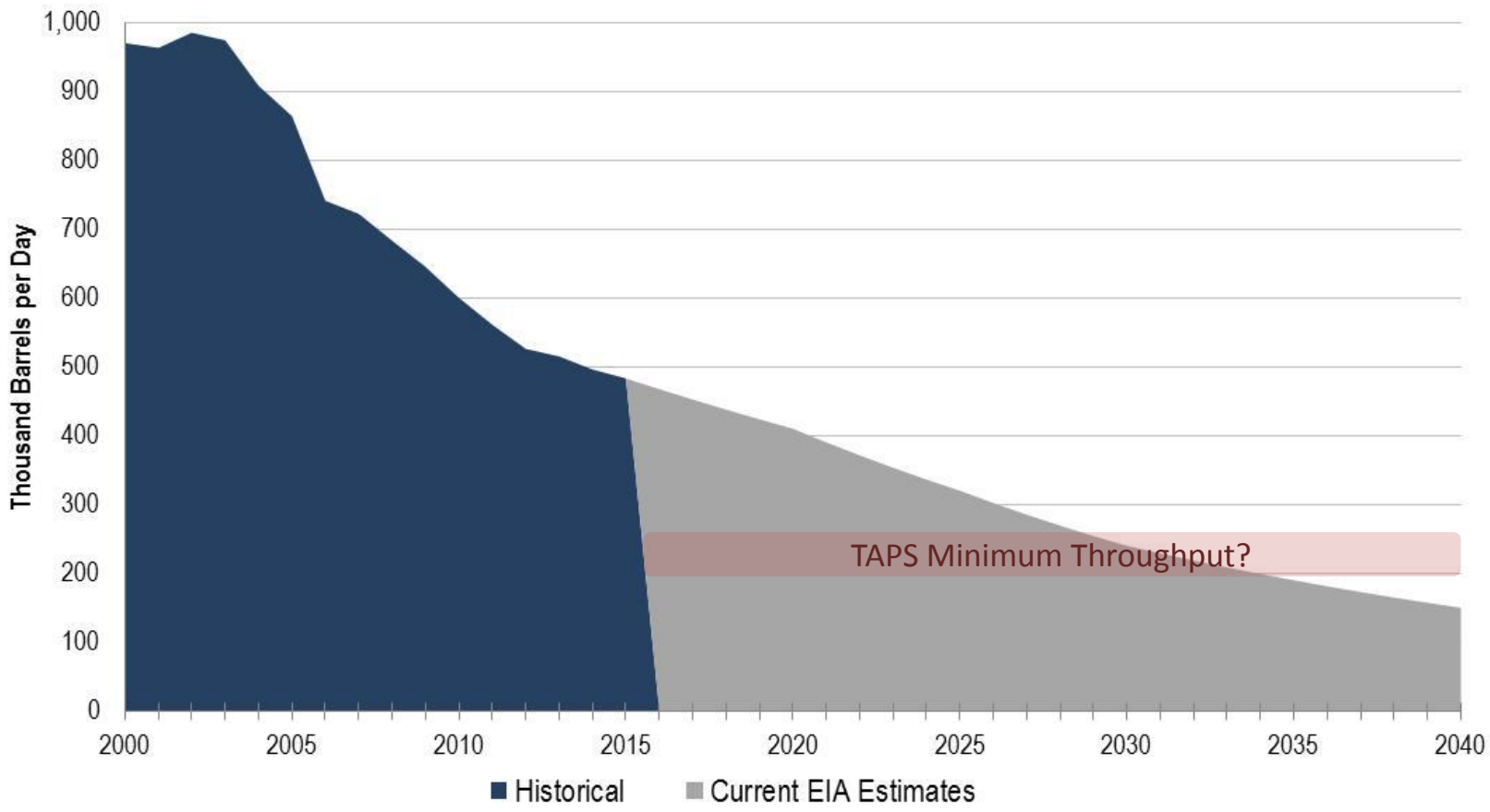


**+ \$34 Billion**  
(Lifecycle)



*Without new investment the main source of Alaska's revenue will continue to decline and risk complete shutdown of the Trans-Alaskan Pipeline in less than 15 years*

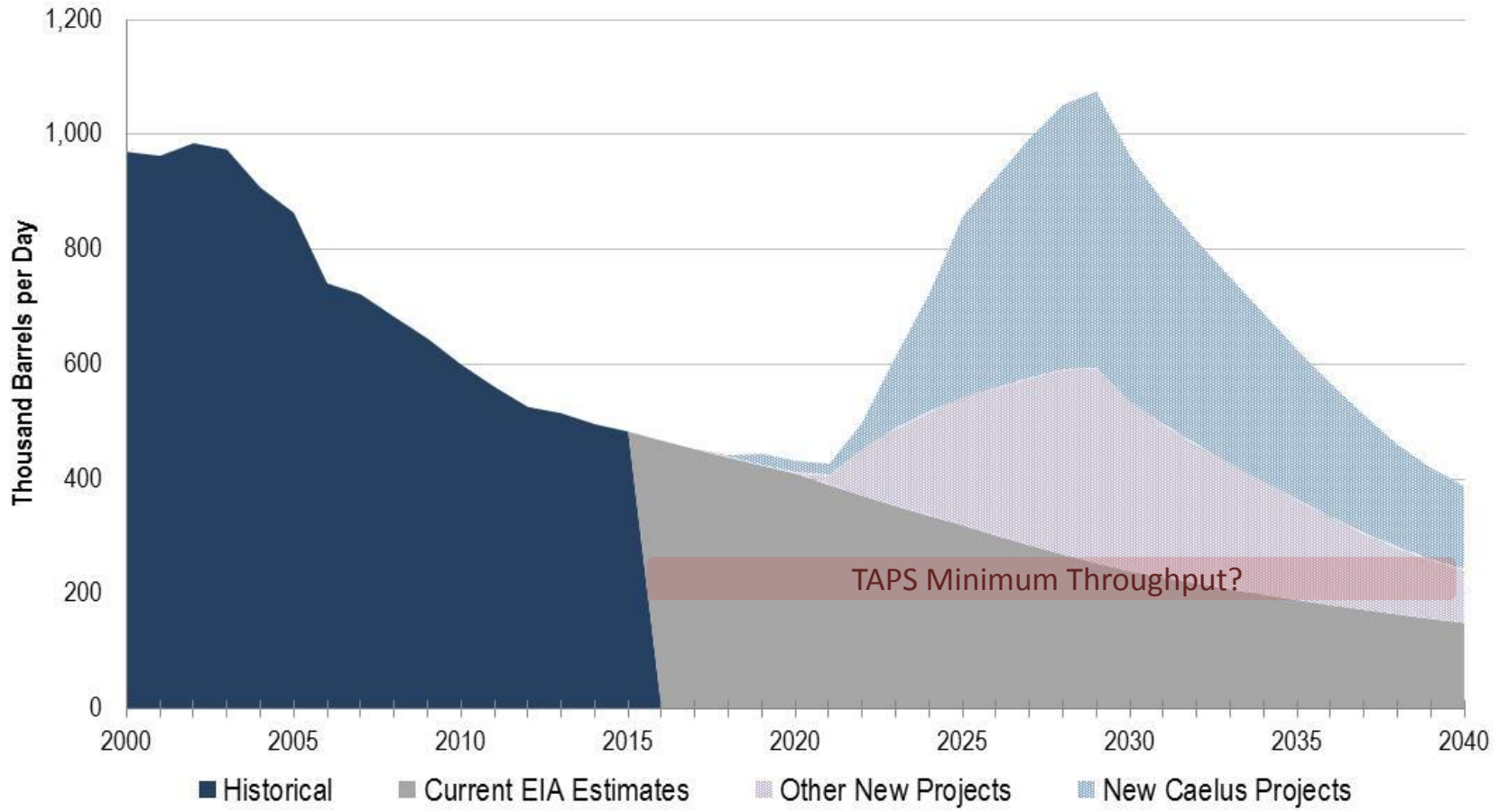
### Alaska Oil Production 2000 - 2040



Source: EIA Estimates from Annual Energy Outlook 2016

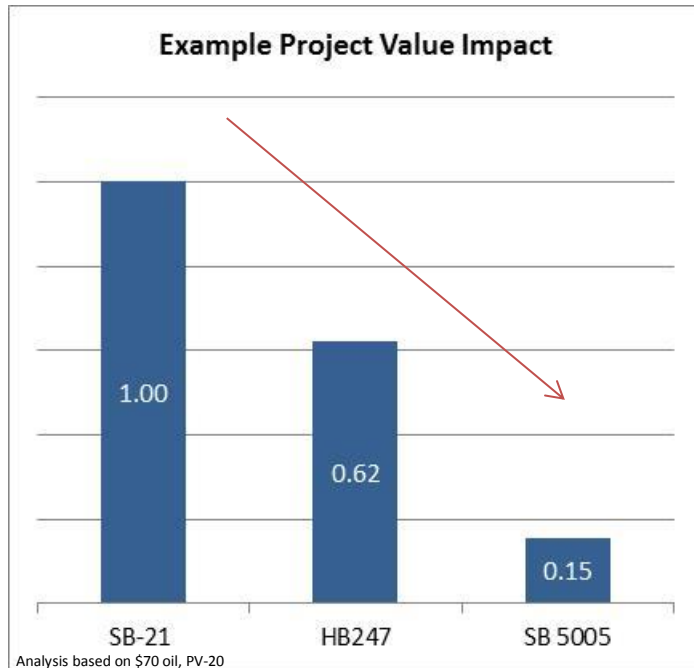
*With new capital investment the oil industry will find new oil and increase production which will ensure Alaskans maintain a very bright future*

### 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

*Changes to fiscal regime have been detrimental to the value of Producers' asset base....*



Asset values have already decreased significantly and will be further decreased by proposed SB 5005

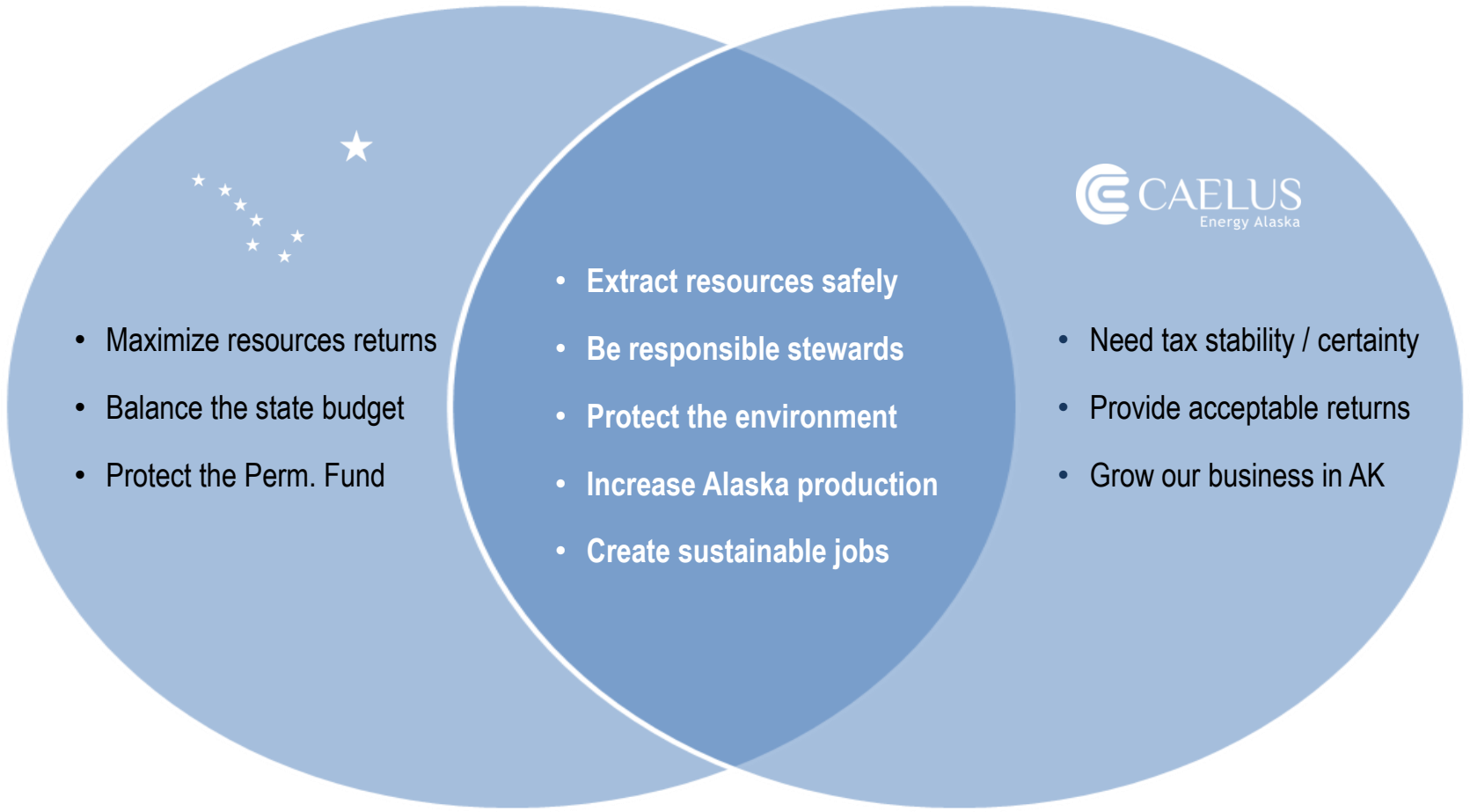
*“The investing community typically finds unilaterally and retroactively executed increases to government forms of taxation to be highly troubling.”*

*“Usually, the US is considered a relatively “safe” haven relating to fiscal stability. The point is not that terms never change. **The point is that changes by the government do not change very often**, and when they do, the **final terms are known ahead of making a decision to invest.**”*

- Stratas Advisors report to the Legislative Budget and Audit Committee of the Alaska State Legislature, Summer 2016

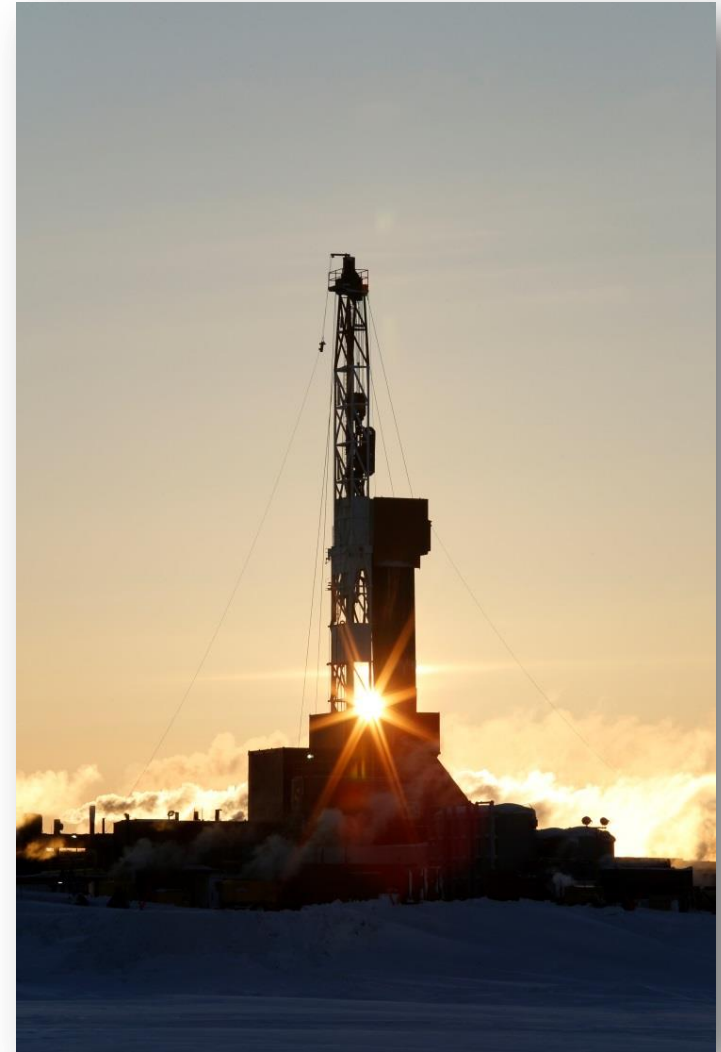
Consistency, Stability and Predictability are the keys to attracting capital investment

*...but perceived unpredictability around future taxes, while difficult to quantify, has had a more significant detrimental impact on the viability of future projects*



## More Production is critical to Alaska's Future

- ❖ Caelus is a proven explorer and developer
- ❖ Trusted partner, producer and steward
- ❖ We move swiftly but safely towards development
- ❖ Our efforts have and will benefit Alaskans
- ❖ Must have stability to attract investments to Alaska



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

