

Alaska Resources Conference

November 19, 2015

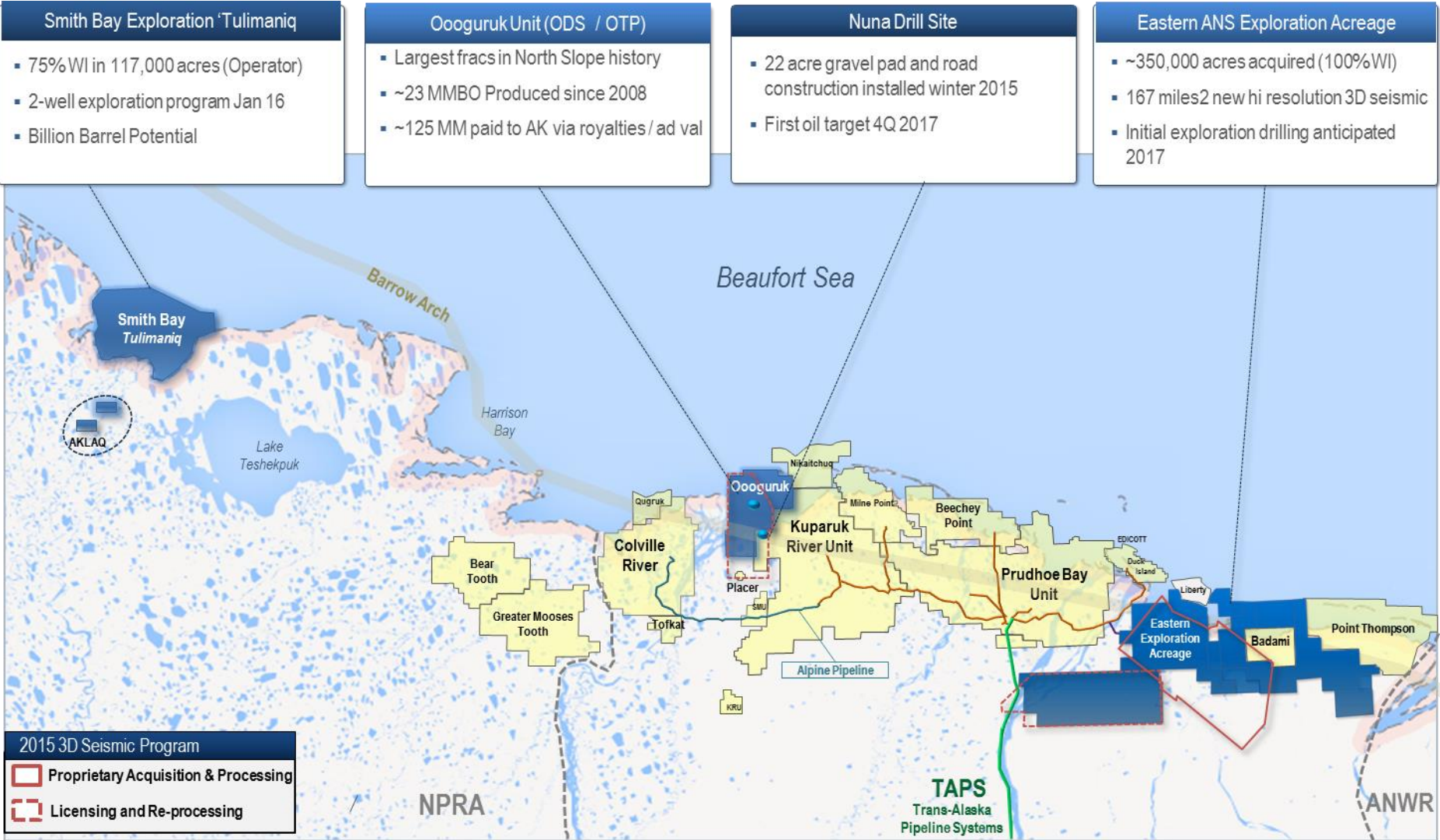


- ❖ Privately-held E&P company formed to pursue large-scale exploration and development opportunities on Alaska's North Slope
 - Seasoned management team with proven track record, led by CEO Jim Musselman
 - Strong equity sponsorship from Apollo Global Management
- ❖ Acquired 100% of Pioneer Natural Resources Alaska ("PNRA") in April 2014
 - ~70 full-time Alaska employees
 - Seasoned operational staff with extensive North Slope experience
 - **SB 21 attracted Caelus and provides good investment structure**
- ❖ Many of the Caelus leadership have been working together over three decades

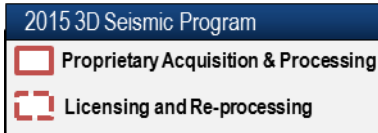
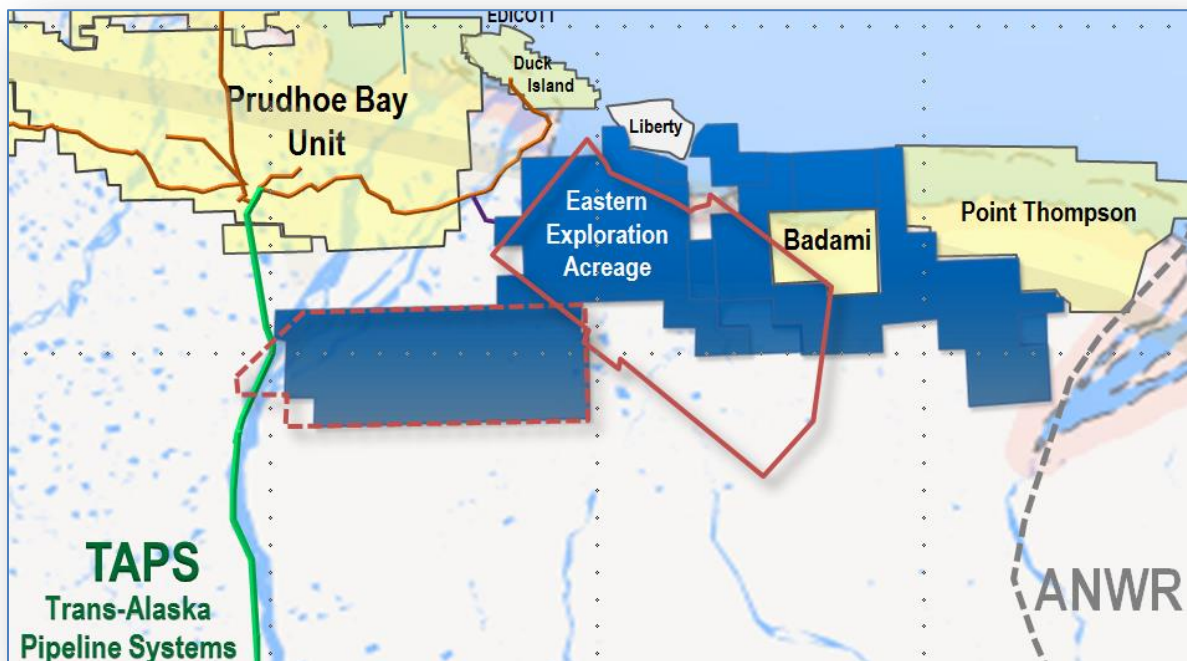


Caelus Investments

North Slope Operations Orientation Map / Year in Review



- ❖ ~ 350,000 acres acquired
- ❖ 167 sq. miles of high resolution 3D seismic acquired in 2015
 - ~ \$24 Million labor intensive program
 - Numerous Brookian Turbidities identified on 2D
- ❖ Additional 3D acquisition likely in 2016
- ❖ Initial exploration drilling anticipated in 2017
- ❖ Alaska benefits from seismic data, exploration well data,



- ❖ First Independent operator on North Slope
- ❖ Caelus 70% WI owner/operator (Eni 30%)
- ❖ **~ \$ 2 billion invested to date**
- ❖ **~ 23 MMBO produced since 2008**
- ❖ Peak production: 25,531 BOPD (May 23, 2015)
- ❖ Annual budget of ~\$300 million through 2018
 - Remaining reserves ~100 MMBO (gross)
 - 39 of 48 Wells drilled (22 producers, 17 injectors)

Economic Benefits to Alaska

- ❖ Annual contractor load ~ 300 jobs
- ❖ ~ \$ 65 MM royalties paid to Alaskans
- ❖ ~ \$ 60 MM Ad Valorem paid (gross)

Oooguruk Island Drill Site (ODS)



Oooguruk Tie-In Pad (OTP)



- ❖ Caelus holds 100% interest
- ❖ 2P Reserves: 102 MMBO
- ❖ ~ \$1.2 billion total facilities and development capital
 - Construction of 22-acre Nuna pad and road complete
- ❖ **First oil October 2017**
 - Primary target: Brookian Torok
 - Estimated peak production: 20-25 MBOPD
 - Phase I: 30 wells
 - (15 producers/15 injectors)
 - Capital intensive frac program
 - Frac both production and injection wells
- ❖ New high resolution 3D seismic data acquired

Nuna gravel pad



Estimated Economic Benefits to Alaska

- ❖ ~ \$1.25 – \$1.32 Billion to AK via taxes/royalties
- ❖ Year round jobs and economic development
- ❖ State royalty modification and existing credit program remain critical to success

Large Scale Smith Bay Exploration Project with True Billion Barrel Potential

Project Overview

- 75 % WI owner and operator
- 26 leases, ~117,000 acres
- True billion barrel potential
- High quality 3D seismic
- Stacked turbidite fans
- Extremely remote location

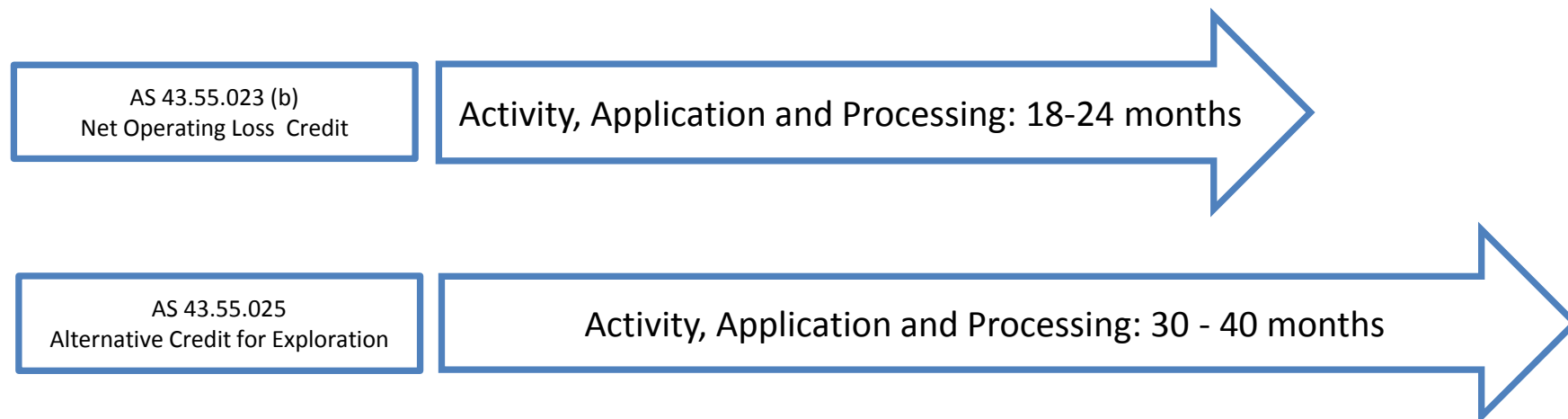
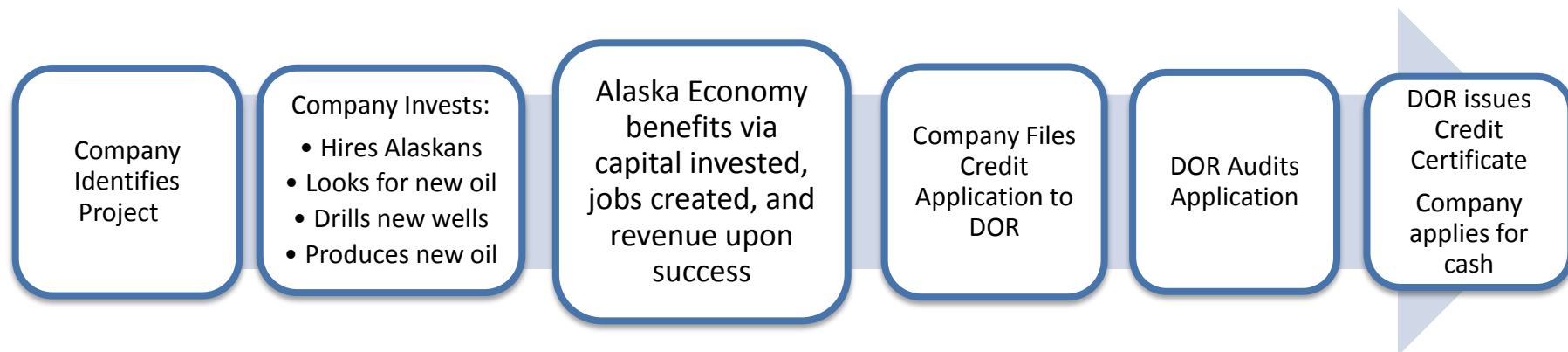


2015-2016 Program Underway

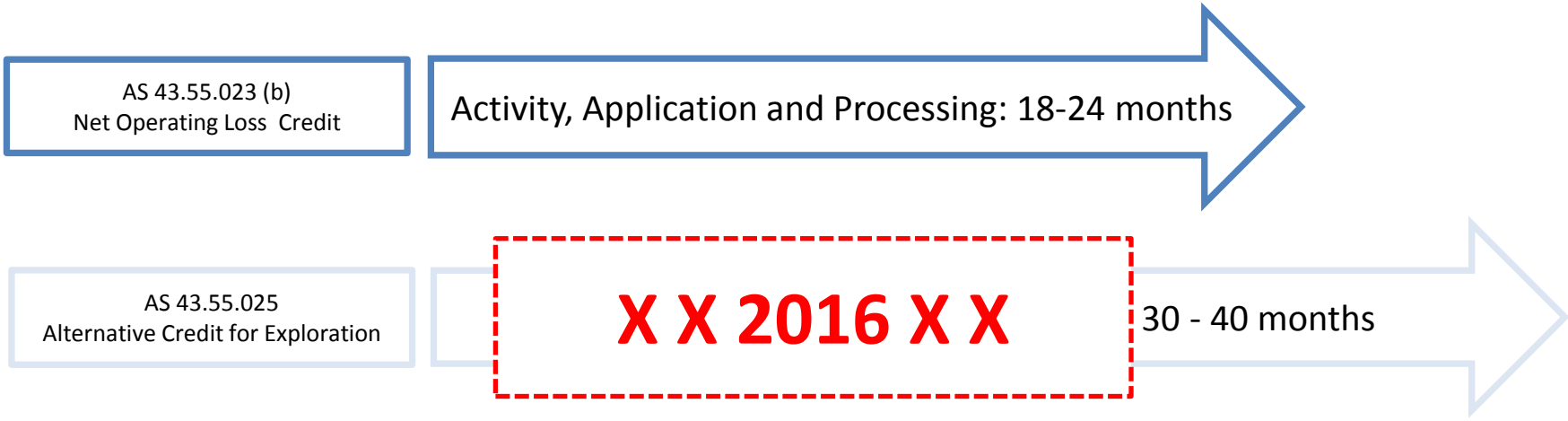
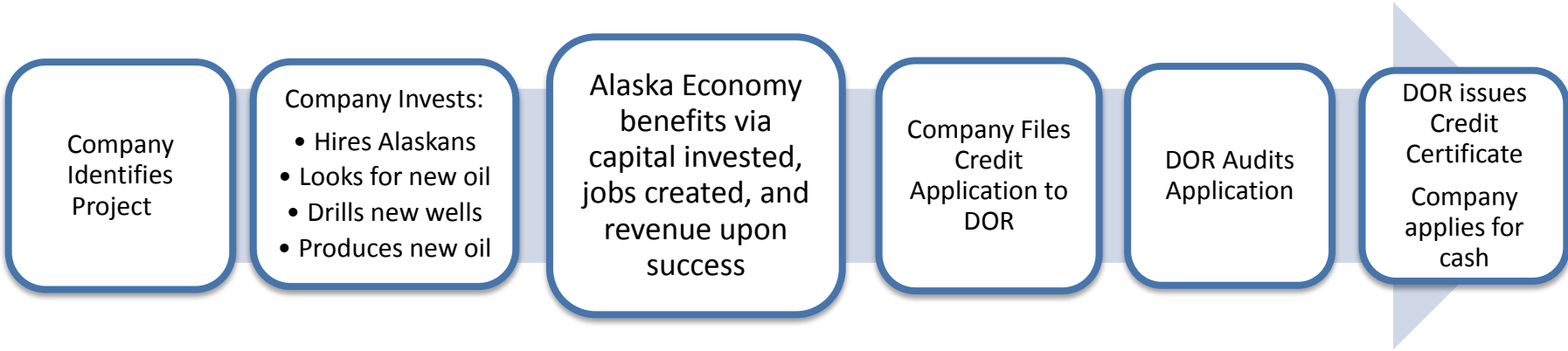
- 1-2 exploration wells planned (CT-1, CT-2)
- 400+ contractor jobs
- Doyon Arctic Fox rig mobilized by barge
- Exploration and LCF credits remain critical



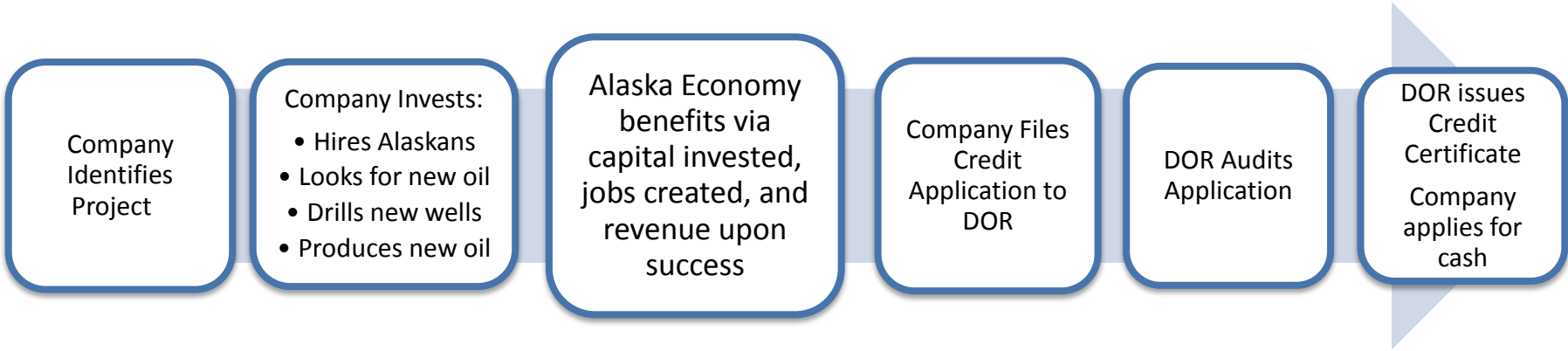
Oil Tax Credits



How North Slope Oil Tax Credits are Earned



How North Slope Oil Tax Credits are Earned

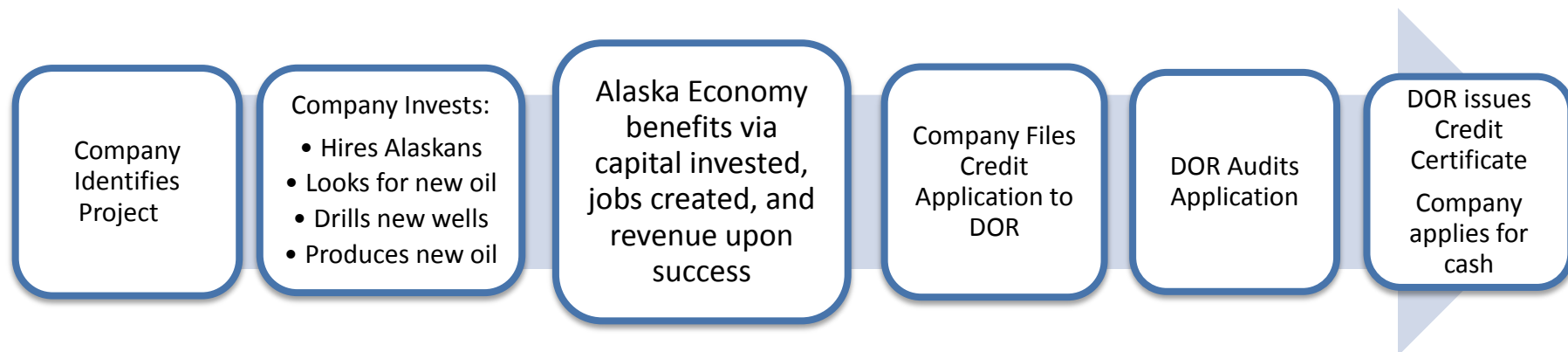


AS 43.55.023 (b)
Net Operating Loss Credit

AS 43.55.025
Alternative Credit for Exploration

X X 2016 X X

30 - 40 months



“NOLs are an important “playing field leveler” between new companies and the majors “

AS 43.55.023 (b)
Net Operating Loss Credit

Ken Alper, Tax Division Director

AS 43.55.025
Alternative Credit for Exploration

X X 2016 X X

30 - 40 months

Regarding Oil Tax Credits

“Investments in the future, when you don’t have much revenue, are painful. But they’re still investments in the future,”

Commissioner Randy Hoffbeck | Jan. 26, 2015

Commentary

Alaska oil tax credits are working as they should at low prices

Roger Marks | April 25, 2015

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SECTOR COMMENT

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Alaska's Vote to Keep Oil Exploration Incentives May Stabilize Production Trends, a Credit Positive

From [U.S. Public Finance Weekly Credit Outlook](#)

U.S. PUBLIC FINANCE

Stability and Predictability

❖ **Alaska has Great Resource Potential**

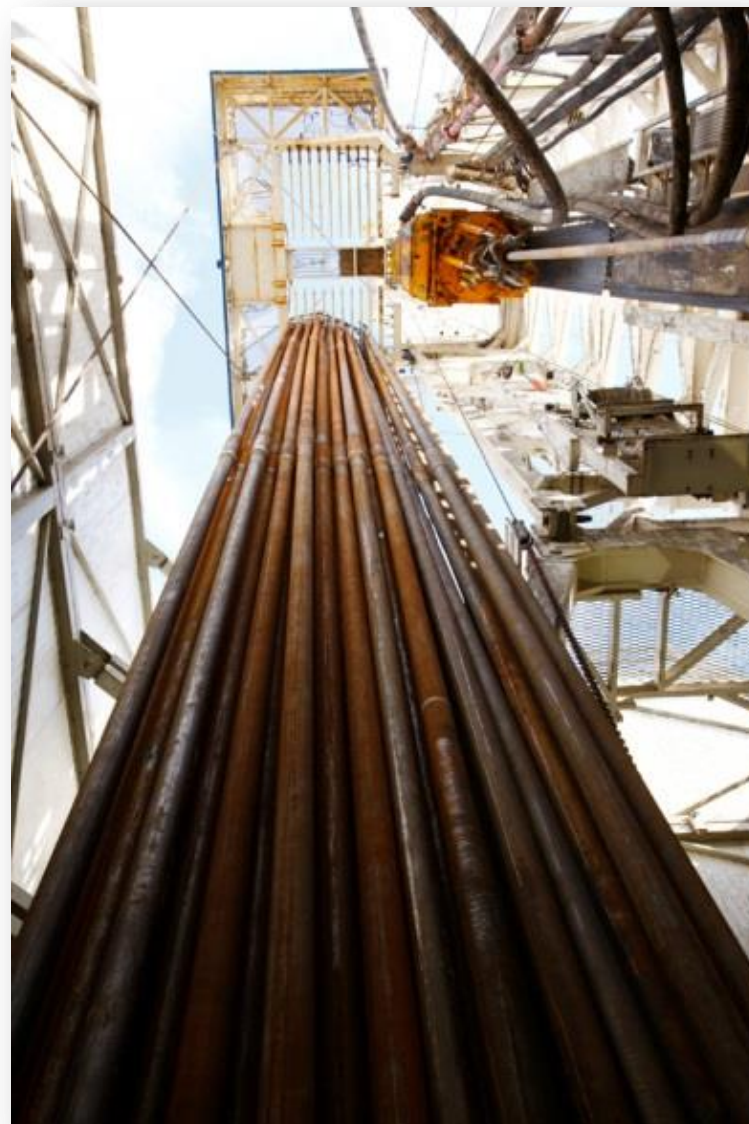
- Alaska needs exploration/development companies to fully tap all of Alaska's petroleum resources
- Credits are investment in that future, and they're working

❖ **Stable, Competitive, North Slope Fiscal Regime Remains Crucial to new Investments and Investors**

- Credit system is attracting new forms of investors and capital to Alaska

❖ **Recommendations**

- Loss Carry Forward levels playing field, and should be maintained for North Slope
- NO retroactive measures, Allow for reasonable transition to any substantive changes
- Grandfather companies / projects with near-term development time horizons





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