



For Immediate Release

Caelus confirms large-scale discovery on the North Slope of Alaska

New find could deliver significant oil production, jobs and state revenue

(Anchorage, AK - October 4, 2016) Caelus Energy Alaska, LLC announced Tuesday that its subsidiary, Caelus Energy Alaska Smith Bay LLC, has made a significant light oil discovery on its Smith Bay state leases on the North Slope of Alaska.

Based on two wells drilled in early 2016 as well as 126 square miles of existing 3D seismic, Caelus estimates the oil in place under the current leasehold to be 6 billion barrels. Furthermore, the Smith Bay fan complex may contain upwards of 10 billion barrels of oil in place when the adjoining acreage is included. Due to the favorable fluids contained in the reservoir, Caelus expects to achieve recovery factors in the range of 30-40%. Additional drilling and seismic should improve estimates of oil in place via delineation of undrilled fan lobes and channel complexes imaged on the original 3D seismic.

Caelus CEO Jim Musselman said: “This discovery could be really exciting for the State of Alaska. It 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. Without the state tax credit programs, none of this would’ve happened, and I’m not sure Caelus would’ve come to explore in Alaska. We’re proof that the credit programs work.”

The Smith Bay development has the potential to provide 200,000 barrels per day of light, highly mobile oil which would both increase Trans-Alaska Pipeline System (TAPS) throughput volumes and reduce the average viscosity of oil in the pipeline, extending its long term viability.

The two exploration wells, Caelus-Tulimaniq #1 (“CT-1”) and step-out Caelus-Tulimaniq #2 (“CT-2”) targeted a large Brookian submarine fan complex spanning over 300 square miles. The fan was successfully drilled and logged in both wells, encountering an extension of the accumulation 5.25 miles northwest of the CT-1 discovery at the CT-2 location. Gross hydrocarbon columns in excess of 1,000 feet were encountered in each well; with CT-1 and CT-2 logging 183 and 223 feet of net pay, respectively. Neither well was flow tested due to seasonal time constraints, but



extensive sidewall coring and subsequent lab analyses confirm the presence of reservoir-quality sandstones containing light oil ranging from 40-450 API gravity.

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Caelus is currently planning an appraisal program which will include drilling an additional appraisal well and acquiring a new 3D seismic survey over outboard acreage. The appraisal program will enable Caelus to confirm reservoir continuity, optimize future drilling locations, and ultimately increase reserves. In parallel, Caelus is studying and planning the facilities build out which will process and transport the oil to TAPS.

About Caelus Energy Alaska

Caelus Energy Alaska, LLC (“Caelus”), is a privately-held independent exploration and production company headquartered in Dallas with offices and operations in Alaska. Caelus is Operator of the Oooguruk Unit on Alaska’s North Slope, and also holds a large portfolio of exploration acreage across the ANS region.

About Caelus Energy Alaska Smith Bay

Caelus Energy Alaska Smith Bay is a 75 percent working interest owner in the State of Alaska oil leases at Smith Bay. Caelus indirectly owns 100% of the equity in Caelus Energy Alaska Smith Bay LLC, with Caelus Energy Alaska O3 LLC, a subsidiary of Caelus, indirectly owning 42% of the equity in Caelus Energy Smith Bay.

Caelus’ partners in Smith Bay include NordAq Energy, Inc. (17.5% working interest) and L71 Resources, LLC (7.5% working interest).

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