

CURRENT STATUS

August 2018

BlueCrest Energy oil wells H12, H14 and H16 are producing at approximately 1000 barrels of oil and about 6 million cubic feet (MMcf) of gas daily. This is being trucked to the Tesoro Kenai Refinery. Well H12 drilling was put into service earlier this summer and is transitioning into primarily oil production. Approximately 100 individuals, 90% of whom are Alaskan residents, are currently employed at the site, and another 50 indirectly, supporting drilling, well development, oil production, management and administration.



PROJECT DESCRIPTION

BlueCrest Energy Inc. utilized an AIDEA direct-financing loan for the procurement, transportation, initial outfitting, and commissioning of a new on-shore oil drilling rig, rig mancamp, and associated materials, tools, and equipment to support its on-going development of the Cosmopolitan oil and gas lease blocks in the southern portion of the Cook Inlet.

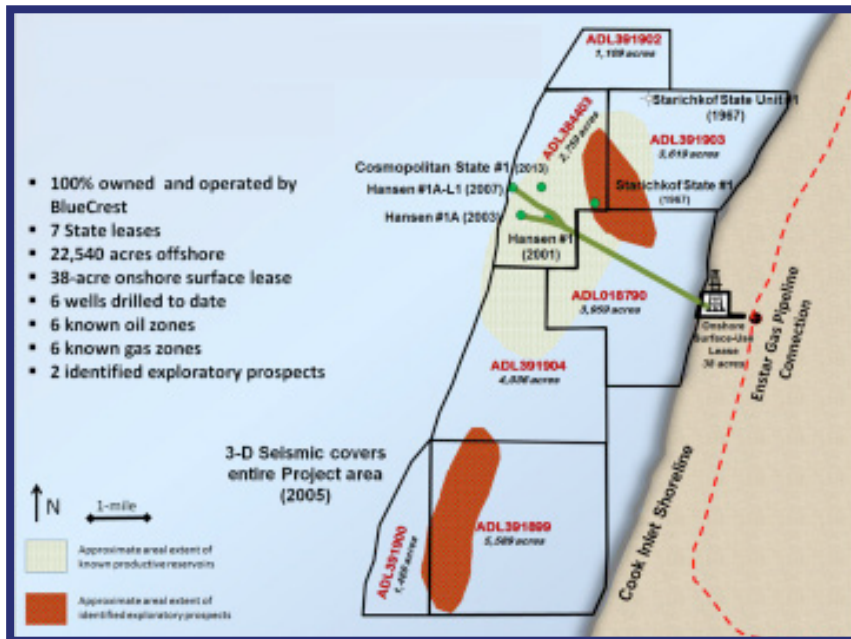
The high horsepower rig with more than 30,000 ft of reach capability, enables the safe and efficient drilling of the necessary oil production wells into the significant offshore oil reserves. This new rig provides capabilities not available with any existing rig in Alaska. The ultimate development of the Cosmopolitan oil field involves the drilling of up to 33 oil production and/or gas/water reinjection wells that will be installed over a 5 to 7 year period using the rig. The rig mancamp provides 50 rooms and support space including a dining room and commercial kitchen for rig operations personnel.

Oil will be treated and produced through the production facility that is located on the 35 acre Hansen Pad, located about 6 miles north of Anchor Point. Drilling of all the wells will also be performed from this pad.

The production facility is designed for up to 10,000 barrels per day of Cook Inlet sweet crude oil production. Produced oil will be transported via tanker truck and sold to the Tesoro Kenai Refinery. Anticipated oil production rates will greatly increase the current output of the overall Cook Inlet region.

BLUECREST ENERGY DRILL RIG LOAN





The development of the Cosmopolitan oil and gas lease blocks in the Cook Inlet will provide significant new oil and gas production.

BUDGET/FINANCE

The \$30 million loan for the drilling rig and rig mancamp includes the following provisions:

- Covers the costs for the drill rig, rig mancamp, and associated transportation costs, commissioning costs, and other related equipment, tools, and materials.
- 6.4% interest rate on the first 15 months of a 16-month line-of-credit loan. Interest is compounded monthly during this period and a payment holiday exists for the life of this loan. The last month of this loan has a 10% interest rate. This line of credit automatically converted to a term loan on December 2016.
- 10% rate on the 68-month term loan. Accrued interest from the line of credit will be capitalized to the principal of the term loan. Interest only payments will be permitted from January 1, 2017 to November 1, 2017, with full payments thereafter.
- Reserve Account to cover any potential difference between a potential distressed asset sale and the outstanding loan balance. The account balance will be adjusted annually according to a valuation appraisal on the collateral.
- Draws required first meeting a condition precedent to document the availability of funds and plans for the drilling and production facility to support at least 8,000 barrels per day of crude oil production.
- Financing includes a 1% commitment fee and payment of all direct transaction costs.

PROJECT/ ECONOMIC BENEFITS

AIDEA's loan and the construction and operation of the drill rig is a crucial element to the overall Cosmopolitan oil field development. This development is anticipated to produce the following economic benefits:

- Over \$20 million of new property tax revenue to the Kenai Peninsula Borough over the first ten years.
- Up to \$75 million of new State of Alaska oil taxes and royalties over the first ten years.
- At least 100 jobs associated with the drilling and well development activities; most of those will be filled by an Alaskan-based drilling contractor and rig operator.
- At least 100 jobs for the engineering and construction of the production facility.
- Up to 30 jobs for the long-term operations of the production facility.
- 15-20 administration and oversight/management jobs for the project.
- More than 25 jobs for local truckers to transport the produced crude oil to the Tesoro refinery.

The total rate of return for AIDEA on the loan, including all fees and interest, is anticipated to exceed 8.0%.

PARTNERS

Lender: AIDEA

Borrower: BlueCrest Alaska Operating, LLC