PROJECT DESCRIPTION

AIDEA provided financing for an Alaskan-based independent oil producer to develop an untapped reserve in the Southern Miluveach Unit (SMU) field. The project fosters the development of new North Slope oil production and continued exploration/development of western North Slope oil prospects to augment decreasing TAPS flows.

AIDEA had originally invested in an access to and the production facility. The operator BRPC was to perform most of the business and production functions. Initial efforts included construction of the 4 mile Mustang road, a 17 acre gravel pad, and design and purchase of equipment for a production facility to include:

- Oil/gas treatment processes for up to 15,000 barrels per day (bpd) of oil production
- Power production equipment for roughly 10 megawatts (MW) of primary electrical power to support the processing equipment and the overall facility
- Gas treatment equipment for up to 7.5 million standard cubic feet per day (mmscf/d) of solution gas for reinjection and facility fuel purposes
- Well headers and connections for up to 11 production and 20 reinjection wells (gas and water)

CURRENT STATUS

QUARTER 2 - 2020

AIDEA had originally invested in the Mustang Road, and Pad company (MRLLC) and Mustang Operations Center 1 company (MOC1), with the operator BRPC performing most of the business functions. When oil prices dropped, AIDEA’s financing partner backed out and the project went into partial shutdown. A Singapore investment company, through their Alaskan subsidiary Caracol Petroleum LLC, agreed to buy the two companies, MRLLC and MOC1, and the operator BRPC, and consolidate the development of the Mustang Field & Southern Miluveach Unit. AIDEA's investment was subsequently restructured into a loan to finance Caracol's purchase of MRLLC and MOC1. Additionally, AIDEA acquired the Department of Revenue (DOR) MOC1 loan and associated tax credit collateral. In November 2019, AIDEA accelerated payment on the Mustang Development Loans (capitalized interest and non-capitalized interest) with an outstanding principal balance of approximately $70 million after a $3.1 million payment due October 1, 2019 was not made. Other covenants were also not met such as funding a debt service reserve account. We are currently in discussions to restructure the debt subject to certain terms and conditions.
The Mustang Road has been used to facilitate exploration and new oil production potential in areas west of the SMU – by Repsol/Armstrong, ASRC, and ConocoPhillips.

- Operations camp to include a central monitoring and control facility, maintenance/workshop/warehousing spaces, storage tanks/dispensing capabilities, and appropriate water/sewer utilities. When oil prices dropped, AIDEA’s financing partner backed out and the project went into partial shutdown.

In 2018, a Singapore investment company, through their Alaskan subsidiary Caracol, agreed to buy the two companies MRLLC and MOC1, as well as the operator BRPC, to consolidate the development. When the sale was initiated in September 2018, Caracol was able to pursue additional financing for development operations. A new plan of development was filed with DNR for a phased approach which included initial installation of an EFP to begin production, with the intent of construction of the full facility when financing becomes available.

**BUDGET/FINANCE**

On May 24, 2019, AIDEA sold its membership interest in MRLLC and MOC1 to Caracol for an agreed price of $64M (U.S.). AIDEA financed this sale with loans for the $64M plus $6M in interest accrued since April 2018, which will be paid back in the seven year term.

Associated with the financing restructure, AIDEA acquired a $16M MOC1 loan from the Department of Revenue (DOR) and associated tax credit collateral which is due by December 2020. Payments of tax credits due to MOC1 are required to be used to pay down this loan.

**PROJECT/ ECONOMIC BENEFITS**

The benefits from the execution of this project include the following:

- Over $45 million in property tax payments to the North Slope Borough over the lifetime of the facility.
- Significant royalties and other State tax payments.
- New oil production will sustain North Slope infrastructure and TAPS, contributing oil to the pipeline.
- Mustang Road provides access that supports potential further exploration and development of regional oil fields and North Slope infrastructure.
- Up to 25 full-time permanent jobs associated with facility operations for the production facility when completed.
- Up to 250+ construction jobs in Anchorage area and on the North Slope for the construction of the facility.

**PARTNERS**

*Borrower: Caracol (& MOC1)*  
*Lender: AIDEA*  
*Operator: Brooks Range Petroleum Corp. (BRPC)*