



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Natural Resources

Division of Oil & Gas  
Anchorage Office

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December 28, 2017

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

Bruce Webb  
Sr. Vice President  
Furie Operating Alaska, LLC  
188 W. Northern Lights Blvd., Suite 620  
Anchorage, AK 99503

Re: Kitchen Lights Unit – Revised 5th Plan of Development – Approved

Dear Mr. Webb:

The Department of Natural Resources, Division of Oil and Gas (Division) received Furie Operating Alaska, LLC's (Furie) proposed Revised 5th Plan of Development (Revised 5th POD) for the Kitchen Lights Unit (KLU) on November 8, 2017. The Revised 5th POD was deemed complete on November 17, 2017.

In its 4th POD, approved by the Division on December 8, 2016, Furie committed to development activities in the Corsair block, with an alternative plan to explore in the North block. Specifically, Furie committed to:

- Complete the KLU #A1 well in the Corsair block by November 30, 2017.
- Either (a) by November 30, 2017, drill and log a development well in the Corsair Block to the Sterling flow test zone reached by the KLU #3 well and present DNR with a plan for completing the well; or (b) by December 30, 2017, drill and log the KLU #4 exploration well in the North Block.

In an amendment to Furie's 4th POD, Furie changed alternative (b), above, to state that by December 30, 2017, Furie will drill and log either KLU #4 or KLU #6-Deep Jurassic. The KLU #6-Deep Jurassic well is proposed for ADL 389198 in the Corsair Block. Furie previously labeled a prospective well in ADL 389924 as "KLU #6," but has renamed it KLU #13. The Division approved Furie's Amendment to the 4th POD on June 2, 2017.

During this POD period, Furie conducted well and pipeline work ranging from removal of the Composite Bridge-Plug Setting Tool lodged in the KLU #3 well, retrieval of isolation plugs for the Upper and Lower Beluga zones (which resulted in access to these zones for production purposes), continued interpretation and evaluation of 3-D geophysical seismic data acquired during the Summer and Fall of 2015, to performing work on both offshore and onshore production facilities (including air compressor upgrades, major generator repairs, installation of a recirculation line on the fuel system, a re-build of a dehydration unit, installation of heat trace

and insulation, inspection of a dehydration contact tower, and installation of internal distribution piping).

Furie's November 8, 2017 Revised Fifth Plan of Development (5th POD) for the January 5, 2018 through January 4, 2019 period, deemed complete on November 17, 2017, commits to:

- (i) Complete the KLU #A-1 well if advisable based on logs, data, and market conditions.
- (ii) Drill and acquire all necessary logs and data to properly evaluate one new development well from the Julius R. platform to the stratigraphic equivalent of the Sterling flow tested zones in the KLU #3 well, namely the sand encountered from 6964 feet to 6998 feet measured depth in the KLU #3 well, unless interpretations from the shallower data in a well indicate that producible hydrocarbons are unlikely to be found by drilling to that equivalent horizon depth. Based on the logs and data acquired from the new development well, develop a plan for completing the well and present the plan to DNR.
- (iii) As an alternative to the development well described in (ii), Furie may conduct drilling and evaluation of an exploration well as described [as follows]:
  - Provided Furie has enough time and conditions safely permit, use commercially reasonable efforts to either (a) drill and log an exploration well; or (b) re-enter, deepen and log the KLU #4 exploration well.
  - Furie will continue to interpret and evaluate the 3-D geophysical seismic data it acquired during the summer and fall of 2015.

Furie's work commitments for this period are the same as those it proposed since 2015. It committed to drill two wells by November 30, 2015. Furie did not drill the wells. The Division approved a POE amendment to defer those drilling commitments to November 30, 2016. Furie did not drill the wells. Furie committed to drilling two wells again in 2016. It did not drill those wells in either 2016 or 2017, and again seeks another year to fulfill its previous commitments.

Under Article 20.1 of the Kitchen Unit Agreement, failure to comply with any of the terms of an approved unit agreement, including plans of exploration, development, or operations that are a part of the unit agreement, is a default under the unit agreement:

*The Commissioner will, in his or her discretion, determine that failure of the Unit Operator or the Working Interest Owners to comply with any of the terms of this Agreement, including any Approved Unit Plan, is a default under this Agreement...*

Furie therefore will, by December 31, 2018:

- Complete the KLU #A-1 well; and
- Either (a) drill, evaluate, and test a new development well to the Sterling Formation; (b) drill, evaluate, and test KLU #4; or (c) drill, evaluate, and test or KLU #6-Deep Jurassic.

And, to further ensure Furie is complying with its proposed 5th POD work commitments, Furie will submit to the Division bi-annual work commitment updates beginning in January 2018, with the first bi-annual work commitment update due no later than June 29, 2018.

When considering a POD, the Division considers the public interest, conservation of natural resources, prevention of economic and physical waste, protection of all interested parties, including the state, environmental cost and benefits, geological and engineering characteristics or reservoirs or potential hydrocarbon accumulations, prior exploration activities, plans for exploration or development, economic costs and benefits to the state, and any other relevant factors, including mitigation measures. 11 AAC 83.303(a), (b). The Division considered these factors in approving earlier PODs for the KLU and incorporates those findings by reference.

In approving the Revised 5th POD, and notwithstanding Furie's history of committing to drilling activities, but then either delaying or changing those work commitments, the Division concluded that Furie's currently commitments, even offered as alternatives, further the State and public interest in development of the resources. Furie's work commitments and each of the alternatives is an opportunity to further explore or develop the unit, which protects the State's economic interests in developing its resources.

Considering the 11 AAC 83.303 criteria and Furie's work commitments, the Division finds that the Revised 5th POD is in the public interest. The Division therefore approves the Revised 5th POD. This POD is for the period January 5, 2018 through January 4, 2019. Under 11 AAC 83.343, the 6th POD is due October 5, 2018, 90 days before the Revised 5th POD expires. This approval is only for a general plan of development. Specific field operations will require an approved Plan of Operations.

An eligible person affected by this decision may appeal it, in accordance with 11 AAC 02. Any appeal must be received within 20 calendar days after the date of "issuance" of this decision, as defined in 11 AAC 02.040(c) and (d), and may be mailed or delivered to Andrew T. Mack, Commissioner, Department of Natural Resources, 550 W. 7th Avenue, Suite 1400, Anchorage, Alaska 99501; faxed to 1-907-269-8918; or sent by electronic mail to [dnr.appeals@alaska.gov](mailto:dnr.appeals@alaska.gov). This decision takes effect immediately. An eligible person must first appeal this decision in accordance with 11 AAC 02 before appealing this decision to Superior Court. A copy of 11 AAC 02 may be obtained from any regional information office of the Department of Natural Resources.

If you have questions regarding this decision, contact Ken Diemer with the Division at 907-269-8784 or via email to [Ken.Diemer@Alaska.gov](mailto:Ken.Diemer@Alaska.gov).

Sincerely,



Chantal Walsh  
Director