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VIA HAND DELIVERY & EMAIL

Chantal Walsh, Director
Alaska Department of Natural Resources, Division of Oil & Gas
550 West Seventh Avenue, Suite 1100
Anchorage, Alaska 99501

Re: Correction of the Record re Approval of KLU Revised 5th POD

Dear Ms. Walsh:

Furie Operating Alaska, LLC (Furie) appreciates your approval of the Revised 5th Plan of Development (Revised 5th POD) for the Kitchen Lights Unit (KLU) (Approval). Furie is not appealing the Approval. The Approval, however, contains several factual errors, and Furie wishes to correct the record before the Division. For example, the Approval states:

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 201[7].¹ It did not drill those wells in either 2016 or 2017, and again seeks another year to fulfill its previous commitments.²

Two errors made by the Division are the statements that: (1) Furie's work commitments for 2018 are the same as those proposed in 2015; and (2) Furie did not drill any wells in 2016. Although the Division did approve the deferral of Furie's 2015 drilling commitments to 2016, Furie actually drilled two wells in 2016. In fact, Furie drilled three (3) wells in 2016—even though the POD only required two that year. The three wells drilled in 2016 include one well that is currently producing (the KLU #A2-A), one well that was fully drilled into productive zones but has not yet been completed (the KLU #A1), and the KLU #A2.

¹ In the Approval, this sentence says 2016 but we believe that is a typographical error and it was intended to be 2017.

² Approval at 2; *see also* similar language regarding "Furie's history" at 3.

Another correction relates to the statements the Division made relating to “Furie’s history,” which could be read to suggest that Furie is not actively working to explore, develop, and improve the KLU. To the extent that is the Division’s intent, Furie would like to correct the record. In addition to the work described in Furie’s 2017 POD application, which reflects substantial investments and improvements in the KLU, since taking over as operator of the KLU in 2011, Furie has established a strong track record of fulfilling its work commitments.

During its time as operator, Furie has accomplished many things in the KLU:

2011	<ul style="list-style-type: none"> • Spartan 151 jack-up rig delivered to Cook Inlet • Began drilling KLU #1 well
2012	<ul style="list-style-type: none"> • Unit Agreement Extended and POE approved • Re-entered KLU #1 and drilled to depth, logged and evaluated well • Drilled and evaluated KLU #2 and KLU #2A sidetrack • Drilled geotechnical bore holes
2013	<ul style="list-style-type: none"> • Drilled, completed, and flow tested KLU #3 • Drilled KLU #4 • Sanctioned development project
2014	<ul style="list-style-type: none"> • Completed platform construction and transported to Cook Inlet • Completed manufacture and coating of pipe for pipeline • Pre-drilled pipeline corridor using horizontal directional drilling • Began construction of onshore facility • Drilled KLU #5
2015	<ul style="list-style-type: none"> • Installed Julius R. platform and pipeline • Completed onshore production facility • Tied back KLU #3 and began production from KLU • Acquired 3D seismic over entire unit • Contracted for new jack-up rig to be delivered to Cook Inlet
2016	<ul style="list-style-type: none"> • Randolph Yost jack-up rig delivered to Cook Inlet • Drilled and evaluated KLU #A2 • Drilled and completed KLU #A2-A • Drilled and evaluated KLU #A1

The Approval states that Furie has a history of committing to drill then delaying or changing those commitments. This is not consistent with the facts. As a reasonably prudent operator, Furie has adjusted its work plans in response to new information it has gained from each drilling season. When DNR approved a multi-year Plan of Exploration (“POE”) for the KLU in 2012, the unit was mostly unexplored. But that same year, Furie announced that it had discovered what appeared to be commercial quantities of natural gas in the KLU #1 well and began planning a

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development project. The data Furie acquired during the 2011 and 2012 drilling seasons led to an adjustment in its drilling plans for 2013. Similarly, the data Furie gathered from its 2013 drilling activities caused it to relocate its proposed platform from the KLU #1 to the KLU #3. Each time new data led to a change in Furie's drilling plans, Furie requested and obtained approval to modify the drilling commitments in the POE.

Based on its drilling success, Furie shifted its focus for the next two years to developing its discovery and bringing the KLU into production. The Division approved the first POD for the KLU in 2014. That same year, Furie ensured that the manufacturing of all components needed to develop its offshore gas reservoir was completed and had those components shipped to Cook Inlet. Unfortunately, all of the specialized vessels needed to install the facilities were not available and the installation was postponed to 2015, necessitating an amendment to the POD. After successful installation of the platform, pipeline, and other facilities in 2015, Furie completed the KLU #3 well using a platform rig and began production from the KLU in late 2015. By adjusting in response to the new information it gained each drilling season, Furie was able to commence production from the KLU only four years after bringing a jack-up rig to Cook Inlet. These accomplishments should not overshadow the fact that "Furie is the first company in roughly 20 years to bring a jack-up drilling rig to the Cook Inlet."³ In short, not only did Furie bring one jack-up rig to Cook Inlet (an asset the State sought for many years), it brought two.

Furie's track record shows diligent exploration and development of the KLU as a reasonably prudent operator. Furie's commitment to the KLU has been demonstrated not only by the fact that Furie has brought two (2) jack-up rigs to the Cook Inlet, but also by its drilling of three (3) wells in 2016 when only two (2) were required, and all of the other significant work Furie has accomplished since it became the unit operator.

We have evidence supporting the statements in this letter, and many of them are reflected in Furie's PODs over the years. If you would like to see any of the evidence, or discuss this information, please do not hesitate to reach out to me or Furie. Thank you in advance for your attention to these matters.

Sincerely,



Jonathan E. Iversen

³ Approval of Extension of and Amendments to KLU Agreement and Revised POE at 3.