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October 7, 2015

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Kathleen King
Petroleum Land manager
Division of Oil and Gas
550 W. 7th Avenue, Suite 1100
Anchorage, AK 99501-3560

Re: Kitchen Lights Unit – Third Plan of Development

Dear Ms. King:

Enclosed please find the Third Plan of Development for the Kitchen Lights Unit (“KLU”), which we are submitting on behalf of Furie Operating Alaska, LLC as operator of the KLU.

We would like to schedule a meeting within the next few weeks to discuss proposed activities in the KLU. We will be in touch shortly to discuss dates of potential availability for a meeting.

Regards,

A handwritten signature in blue ink that reads "Ramona Monroe".

Ramona L. Monroe

A blue ink stamp with the word "RECEIVED" in large, bold, capital letters. The letters are slightly irregular and have a textured appearance.

OCT 07 2015

DIVISION OF
OIL AND GAS

THIRD PLAN OF DEVELOPMENT

KITCHEN LIGHTS UNIT

OCTOBER 7, 2015

**Furie Operating Alaska, LLC
Operator**

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1. OBJECTIVE

This Third Plan of Development for the Kitchen Lights Unit is submitted by Furie Operating Alaska, LLC (Furie) as Operator on behalf of itself and the other working interest owners to the Department of Natural Resources (DNR) pursuant to Article 8 of the Kitchen Unit Agreement and 11 AAC 83.343. The Second Plan of Development called for the following activities in 2015:

- A monopod-design platform installed between the existing Tyonek platform and Nikiski;
- A marine gathering line approximately 16 miles in length which will extend from the platform south to an onshore facility;
- An onshore production facility that provides separation and compression; and
- A tie-in pipeline approximately 800 feet in length extending from the onshore production facility to the Cook Inlet Gas Gathering System (CIGGS) pipeline located to the west of the onshore facility;
- Tie-back (connection) of the KLU #3 well to the platform for production.

Each of these activities has been completed in 2015, with the exception of the tie-back of the KLU #3 well which is underway and on schedule to be completed by November 1, 2015.

The objective of this Third Plan of Development is to:

- Continue the safe and effective development of the proven gas reserves in the KLU;
- Commence initial production of natural gas on the Julius R Platform;
- Continue the pragmatic exploration of the KLU.

2. RESERVOIR CHARACTERISTICS AND MANAGEMENT

2.1 Reservoir Characteristics

The geologic formations containing the previously undiscovered pools are the Sterling and the Beluga formations. Multiple pools within the Sterling and Beluga formations were identified by initial well logs as being productive. Of the multiple pools identified, 28 had MDT log evaluations and six have been flow tested to date. Gas samples contained 99% methane. One or more of the tested horizons may be shown to be in communication with other horizons within the same formation.

2.2 Reservoir Management

The KLU #3 is a natural gas discovery well. Numerous layers of pay were encountered in the Sterling and Beluga formations. The proposed development is designed to efficiently exploit these pools by completing the wells at various intervals. The more prolific Sterling reservoirs may be exploited in the first development wells to increase reserves and deliverability.

Based on well tests of three of the nineteen intervals evaluated to have significant hydrocarbon deposits, the initial well is anticipated to produce approximately 15-18 million cubic feet per day. If analyses indicate that the well will support increased flow rates, production may be increased. Initial production is expected to be dry gas. Gas samples taken during well testing were approximately 99% methane. Water content is expected to increase as the reservoir is produced.

If well draw down occurs more quickly than expected, thus leading to pressure depleted reservoir(s), compression may be implemented. As each producing zone becomes depleted or uneconomic to produce, that zone will be isolated and another zone introduced into production.

A corrosion coupon will be installed in the flow line for the purpose of monitoring possible corrosion to the well bore and flow line. If corrosion is detected, a chemical program may be implemented to protect the well bore and equipment from damage.

A portion of the produced gas will be utilized on the platform for production operations.

3. WELLS AND DRILLING

Initial production is planned from the KLU #3 well. The platform is designed to accommodate up to five additional wells, for a total of six wells. Additional wells, will be drilled as appropriate to maximize recovery from the reservoir. Well workovers will also be performed as appropriate during the life of the field.

Wells will be drilled using a jack-up rig brought to the site for that purpose, and the platform will support a workover rig (platform rig) that may be used for well completions and maintenance. When needed, the workover rig (platform rig) will be transported to the platform and installed using the platform crane, then removed after completion of the well work.

Development wells will be directionally drilled to penetrate development prospects using conventional drilling techniques. The wells will be completed as results justify with single and dual completions. The Beluga and shallower formations will typically be completed with gravel packs.

4. PROPOSED 2016 KLU DEVELOPMENT

With the installation and completion of the platform, subsea pipeline, and onshore production facility, Development will focus on additional wells for increased reserves and deliverability. However, existing natural gas market constraints through 2019 may have an impact on the necessity of multiple wells. In the 2015 Plan of Exploration (POE), Furie proposed the following development activities in 2016:

- A. Delivery of a jack-up rig to Alaska waters on or before May 15, 2015;
- B. On or before November 30, 2016, drill and acquire all necessary logs and data to properly evaluate two new development wells in the Corsair block to the stratigraphic equivalent of the deepest sand that was flow tested and determined to be commercially viable in the

KLU #3 well, namely the sand encountered from 6964 feet to 6998 feet measured depth in the KLU #3 well, unless the Director finds that interpretations from the shallower data in a well indicate that producible hydrocarbons are unlikely to be found by drilling to that equivalent horizon depth;

- C. Based on the logs and data acquired from the new development wells, develop a plan for completing the wells and present the plan to DNR;
- D. Use commercially reasonable efforts, weather permitting, to complete, by December 31, 2016, one new development well in the Corsair block.

However, market constraints have limited the volume of gas Furie needs to deliver in 2016, and probably until 2019. As a result, Furie is unlikely to initiate production from more than one additional development well in 2016, and two additional development wells are unwarranted by the market. One additional development well will provide a significant gas reserve that would be immediately available to the market, as needed. Therefore, Furie proposes to modify the development activities for 2016 by reducing the number of new development wells to one, and undertaking additional exploration drilling outside the Corsair block. Toward this end, Furie proposes to modify the POE commitment set forth above as 4.B to read as follows and the add the exploration activity indicated in 5.A below.

B. On or before November 30, 2016, drill and acquire all necessary logs and data to properly evaluate and then complete one new development well in the Corsair block to the stratigraphic equivalent of the Sterling flow tested zones in the KLU #3 well.

5. PLANS FOR EXPLORATION OR DELINEATION OF LANDS OUTSIDE PA

DNR approved a POE for exploration of the KLU from 2012 thru 2015. Furie successfully completed all work commitments under the POE for prior years and is in the process of completing all remaining 2015 work commitments as follows:

- The workover rig (platform rig) has been set on the Julius R. Platform and is in the final stages of completing the KLU #3 well for production;
- Acquisition of 3-D seismic data over the entire KLU is scheduled to be completed by October 31, 2015;
- On or before December 31, 2015, Furie and the other working interest owners shall either (i) commit to drill one or more delineation wells or exploration wells outside the Corsair Block, or (ii) sanction a development project in, and submit a POD to DNR for development of, one or more blocks outside the Corsair Block;
- The commencement of sustained production is scheduled to begin in November 2015;
- Furie has negotiated an agreement for a jack-up rig to arrive in the Cook Inlet before May 15, 2015; and
- On or before December 31, 2015, Furie will cause execution of a binding contract for a heavy lift vessel to transport the jack-up rig to Alaska

If DNR agrees to modify item 4.B of the 2016 development activities, Furie proposes the following work commitment for exploration activities in 2016:

Provided Furie has enough time and conditions safely permit, on or before December 30, 2016, Furie shall use commercially reasonable efforts to drill and acquire sufficient logs and data to evaluate the KLU #4 well to a depth sufficient to penetrate the Sunfish Channel of the lower Tyonek Formation.