



THE STATE
of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

DIVISION OF OIL & GAS
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December 11, 2018

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Furie Operating Alaska, LLC
ATTN: Scott M. Pinsonnault
Interim Chief Operating Officer
Furie Operating Alaska, LLC
188 W. Northern Lights Blvd., Suite 620
Anchorage, AK 99503

Re: Kitchen Lights Unit Sixth Plan of Development – Approval

Dear Mr. Pinsonnault,

On October 5, 2018, the State of Alaska (State), Department of Natural Resources (DNR), Division of Oil and Gas (Division) received the proposed Kitchen Lights Unit (KLU) 6th Plan of Development and Operations (POD). The Division notified the operator, Furie Operating LLC (Furie) by email on October 15, 2018 it had deemed the application complete. This letter approves the POD. Furie subsequently provided a technical presentation to the Division on November 27, 2018.

The KLU is an 83,394-acre unit divided into four blocks: Corsair, North, Southwest, and Central Blocks. Originally, the Division approved formation of the Kitchen Unit on January 31, 2007, and later the expansion and renaming of the Kitchen Unit to the Kitchen Lights Unit on June 30, 2009.

Because the Department determined Furie failed to meet its drilling and development commitments over the course of several POD periods, a Notice of Default and Opportunity to Cure was issued on December 26, 2017. The opportunity for cure in the Department's Notice and the Fifth POD provided that by December 31, 2018, Furie will:

- 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.

To fully cure default, Furie must satisfy the above listed work commitments set forth in this notice of default. To further ensure Furie is complying with its proposed 5th POD work commitments, Furie will submit to the Division quarterly work commitment updates beginning in January 2018, with the first quarterly work commitment update due no later than March 30, 2018.

Along with a bi-annual update submitted on June 11, 2018, Furie timely filed quarterly updates regarding its progress in curing default on March 27, 2018, June 11, 2018, and September 28, 2018. In its September 28, 2018 Quarterly Update, Furie stated it "met its work requirements in a timely manner, and had also drilled an additional tail on the KLU #4 well into the Tyonek." Specifically, Furie stated that it: (1) mobilized and located on-site at the Julius R offshore production platform the Spartan 151 jack-up rig on July 5, 2018; (2) re-entered the KLU A-1 well and completed it on July 30, 2018; (3) spudded the KLU A-4 well on August 3, 2018; and (4) drilled the KLU A-4 well into the Tyonek section as an exploration tail to evaluate identified 3D amplitude targets, "an activity not required under the current POD."

Furie conducted the following additional work during this POD period:

- Adding perforations to the KLU 3 (producing) well at 4973–5803 feet (Beluga)
- Closing sleeves on perforations at the KLU 3 well at 4565–4632 feet
- Front-end loading and permitting to replace generators
- Adding sand monitors on each producing well flowline
- Repairing air compressors
- Upgrading platform crane load line and the fast line alarm system
- Conducted cathodic protection survey on 15-mile pipeline running from production platform to onshore facilities, including installation of tie points to measure current readings
- Repairs and replacement of packing, wiper rings, glycol, and numerous pumps on the production facility dehydration system

Because Furie complied with the requirements set forth in the Notice of Default, the Commissioner notified Furie on October 24, 2018 that its default had been cured.

For this Sixth POD period, Furie commits to:

- 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 (unless interpretations from shallower data in a well indicate that producible hydrocarbons are unlikely to be found by drilling to that equivalent horizon depth). Develop a plan for completing the well and present plan to DNR based on logs and data acquired from new development well
- Conduct development operations specific to KLU A-2A and KLU 3 wells to increase production, including adding perforations.

Further, Furie states it “intends to continue exploration drilling throughout the KLU, including outside the Corsair Block,” and that by February 2019 “it will mature two prospects for exploration wells outside the Corsair Block and present them to DNR along with evidence that commercially reasonable efforts are underway to drill these wells in either 2019 or 2020.” Notwithstanding Furie’s caveat that these efforts remain contingent upon additional financing and the receipt of tax credits, the Department understands Furie will pursue all avenues available to it to bring its plans to fruition within the time-frame to which it has committed. Lastly, based upon recent discussions with its representatives, Furie shall, no later than March 1, 2019, submit a proposal to the Division for the establishment of a participating area, or participating areas in the KLU.

In approving earlier KLU PODs, the Division considered the 11 AAC 83.303 criteria and found that the PODs promoted conservation of natural resources, promoted prevention of waste, and protected the parties’ interests. The Division incorporates those findings by reference.

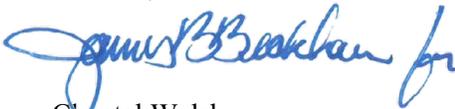
The 6th POD is approved. Considering the 11 AAC 83.303 criteria and the activities proposed with this POD and described above to which, along with continued production, Furie has completed and committed to complete, the Division finds the 6th POD complies with the provisions of 11 AAC 83.303, 11 AAC 83.343, and protects the public interest. Accordingly, the 6th POD is approved for the period January 4, 2019 through January 3, 2020. Under 11 AAC 83.343, the 7th POD is due October 11, 2019, 90 days before the 6th 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 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. 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 907-269-8799 or via email at ken.diemer@alaska.gov.

Sincerely,



Chantal Walsh
Director