



February 13, 2024

John Hendrix  
Email: j.hendrix@furiealaska.com

RE: Producing wells 1-4 on our platform, Cook Inlet Basin, Alaska

John:

I am responding to your letter of last week regarding the status of production and wells on our platform.

Please understand that I am a working interest owner for over 15 years in the Kitchen Lights Unit ("KLU"). The following are my opinions regarding your operations:

I received your letter regarding the A-1 well being dead in the existing perforations and your plan to abandon this well. You need to remember that we built this project, paid for the leases, transported the jack-up rig to Alaska, and made the discovery of gas in the KLU. You have done nothing. I am very familiar with this project and all the wells drilled. Four (4) wells were drilled and completed. All logs were then evaluated by NuTech and producing zones were marked for production. Then Netherland and Sewell did a reserve study from their logs. For this response today, I am including the NuTech log evaluations on the KLU A-1 that clearly shows 17 producing zones from the Sterling to the Beluga that are productive. It is my professional opinion that there are multiple zones to be recompleted in this well, the other three (3) producing wells will be provided to you and to the State of Alaska agencies as well. You need to provide to me, as an owner, the well schematics for all four (4) wells and producing zones from the original completion from each well to today. So far you have refused to provide me documents and include me in anything. I am an owner and I am entitled to all of this information.

It is my opinion, from the Netherland and Sewell report and NuTech logs there are hundreds more BCF of gas left in the four (4) wells to be produced. To get this done, the A-1 will need a workover now to produce these other productive zones. You have refused to provide us any geological and engineering information at any time and requested information on any well. There exists major upsides in all four (4) wells and you are purposely withholding critical information from us and keeping us in the dark on our own properties. There is multiple BCF of gas left in all four (4) wells including the A-1. I have attached a reserve report from Netherland and Sewell stating there are over 700 BCF of



gas to be produced from this platform. They are the top engineering firm in the world. I suggest you pay attention to their work.

To get the A-1 flowing again it will take a workover but, as operator, you refuse to perform the work. The geology is clear, the logs are correct, the gas is there. You will not perform the rework because you choose to sit on all the funds you have received and stolen from the working interest partners over the last three years and claim you can't afford to rework the wells. Not to mention the \$100 million dollars from the State of Alaska Oil and Gas Tax Credit reimbursements.

John, I am not sure what you have done with the \$100 million dollars you received in tax credits, we and the State of Alaska intend to find out. I am attaching hereto an article, dated August 21, 2016, where you clearly state: Hendrix: Tax credits require results and that tax credits to be investment that nets oil, gets reinvested into Alaska. What have you done with that \$100 million dollars, where is it? I think you need to explain to the Governor and the people of Alaska where the funds are. We have three (3) wells on our platform that need to be re-worked and two (2) open slots that need new wells drilled. All of this should be done with the \$100 million dollars in tax credits paid to you, with your own words. A prudent operator could do all of this and still have tens of millions left over to increase additional production. In my experience over these past three years, you are not capable. You blame all of your shortcomings on our 10% working interest that has paid its own way on all future workover and drilling costs. This will come out in court. You lie about this platform having too many burdens, does not hold water anymore. We have already paid our way, but you refuse to invest back into Alaska with the \$100 million dollars in tax credits paid to you. Read over your own words, man up, get the workovers scheduled, drill two (2) more wells or we should appoint a 3<sup>rd</sup> party to operate until these funds are handled properly and spent on investing back into Alaska, as you have strongly stated in the past.

A competent operator would rework the A-1, place it back in commercial production. You will not do this work, it appears it does not fit into your scheme to scuttle these wells and platform, as you have threatened. Your update letter is an outright lie and scam to the State and people of Alaska. The gas exists in the wells. To just abandon these wells would be wanton waste and against the mandate of the AOGCC and public policy.

Over the last fourteen (14) months you have converted (stolen) millions of dollars of working interest funds from me, around \$11,000,000.00, just my share. We are in serious litigation over this conversion and theft. We can and will prove this criminal theft in court here in Houston in the near future. You are a liar and thief and the money trail is easy to follow. That is exactly why you have violated our agreements and blocked all of our attempts to audit you. You refuse to allow us to audit your books. The court will demand a full audit very soon, the proof of your criminal activity will be proved. Everything I warned the people of Alaska about your operations in my July letter in December of 2020, which was in every newspaper, has come to bear.



For you not to go over the logs, workover the A-1, and establish production falls right in line with your failed ability as an operator in Cook Inlet Basin. Criminals steal with a pen or a gun, either way they are still criminals. We will prove you have stolen \$30,000,000.00 from the working interest owners, and prevail in court. Out of the \$100 million dollars in tax credits you received, you should be reworking all wells now, but you lie to the State of Alaska and say you cannot afford the workovers, when I have already paid my way.

You have a direct responsibility to the State of Alaska, people of Alaska, and to all working interest owners to perform and operate in a prudent, honest, and workmanlike manner, which you refuse to do, each month you continue to steal.

As an operator, you were a total failure when you ran Apache (\$400 million dollar loss) and drilled the most expensive onshore well in Cook Inlet history, (\$70 million dollars). Now you are at it again destroying the production on our platform and stealing our runs, damaging all working interest owners from your actions in the process.

You have already threatened to scuttle the Julian R. Platform and production, we can prove this. You have converted millions of my production funds, which in my opinion is criminal. You have not paid me in over fourteen (14) months and stole my tax credits from the State of Alaska. And you claim in your letter that you are broke.

Even with the \$100 million dollars in tax credits paid to you, you now refuse to rework the A-1 well out of pure greed. You have stolen over \$30,000,000.00 of our funds, and still refuse to work the wells over, establishing much needed gas for Alaskans. You continue to lie to everyone involved. The State and people of Alaska will catch on to your con very soon.

In order to protect the 84,000-acre KLU and its huge upside, I demand you resign as operator immediately. We need an experienced 3<sup>rd</sup> party operator that will maximize all four (4) wells and get the much needed gas producing again. There are multiple TCF of gas left to drill in the KLU and over 600 million barrels of oil to be produced on these leases. I do not think that has ever been your goal, you have converted millions by theft and now plan to scuttle the existing wells to hide your theft. You have lied to the DNR, the Alaska legislature, and others about my position as a working interest owner. You lie and tell those that are in front of you that I have a "carried" interest and you have to pay my way on all workovers and future wells. That is a blatant lie and I can prove this with our documents from your acquisition of the KLU in federal bankruptcy court. As per the contract, I assigned half (1/2) of my existing production, reserves, platform, and facility ownership over to you, which that producing interest was to be used to pay my way on all future operations. I have paid my way on everything to date, the problem is that you have stolen all of my production for the last fourteen (14) months, and now lie to the DNR and Alaskan Resource Committee about this situation. We will soon get to the bottom of this in court here in Houston. Your deposition is next month, then you will be on the stand in court soon after. I believe in our court system and when our documents are analyzed in court and we get a court ordered full accounting the final numbers and truth will come out and you will be found guilty. There is no way out for you, your criminal theft and your



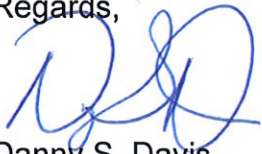
planned scheme to scuttle the platform to cover your theft will come out in court, even when the state paid you \$100 million dollars and you refuse to put it to work.

You cannot hide in the Texas court system as you do in Alaska. You hide behind Kay Cashman and Petroleum News, which refuses to cover this story honestly and tell the people of Alaska the truth of your theft and your plans to scuttle the Julian R. Platform. I am ashamed of Petroleum News for not covering this story for its real news. Instead, they choose to honor John Hendrix who stole our money to pay his debts to Alaska Industrial Development and Export Authority ('AIDEA") off early. Through the court, AIDEA will have to provide all documents to show this theft as well. You hide behind Enstar who, because of our litigation, should be escrowing all working interest runs until this litigation is over. To me, they are aiding and helping you steal my runs. This will come out in the Texas court as well. Now you lie to the Alaskan Resource Committee about the production on the platform, and that I have a "carried" interest when in reality I pay my own way. Your lies and criminal theft will catch up to you in our Texas court very soon. You have the funds to rework every well, you have stolen that much from me alone. You refuse to rework them because of your greed and incompetence as an operator. I am notifying the DNR, A.O.G.C.C., and the Alaska Joint House and Senate Resource Committee for an emergency meeting to get to the bottom of your lies about the wells on the Julian R. Platform not having any upside production. I can and will prove it does. So far you have stolen millions of dollars from me and now you are trying to con me and the State of Alaska that the A-1 well is dead and you cannot afford to rework the other two (2) wells. This is a con on the State of Alaska and the people of Alaska and you are behind it. Hundreds of BCF of gas is waiting to be produced by a competent, honest operator.

There are billions of cubic feet of gas in the A-1 well, if reworked, and I intend to prove this in our litigation.

In my opinion, you are intentionally hurting our production, hurting the State of Alaska and the Alaskan people by not developing and reworking these wells. This is a very serious problem and we must stop you and your actions before all of the tax credit funds have been converted.

Regards,



Danny S. Davis



**1. NuTech A-1 Log Evaluation Productive Pay Zones**

**2. Net Pay Analysis**

- **Well #3**
- **Well #2**
- **Well #2-A**



# KLU A-1 Opportunity Assessment

Date: 02/06/2024



# Project Scope

- The scope of this project is to analyze the petrophysics performed 09/19/2018 and find zones of opportunity.
- This model will be based on a NULOOK petrophysical analysis.
- The production data is being used from [ihs.com](http://ihs.com)



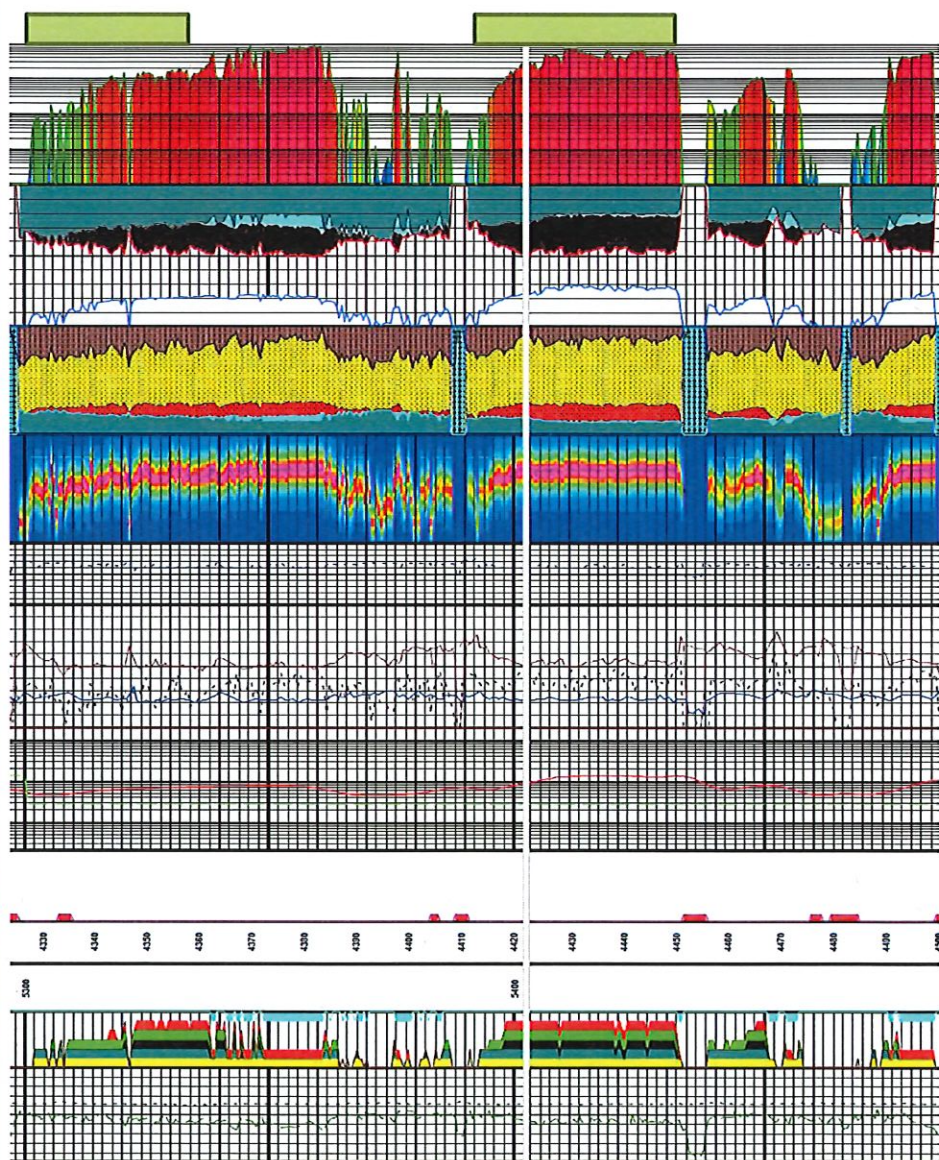
# Existing Production

No noted perforations

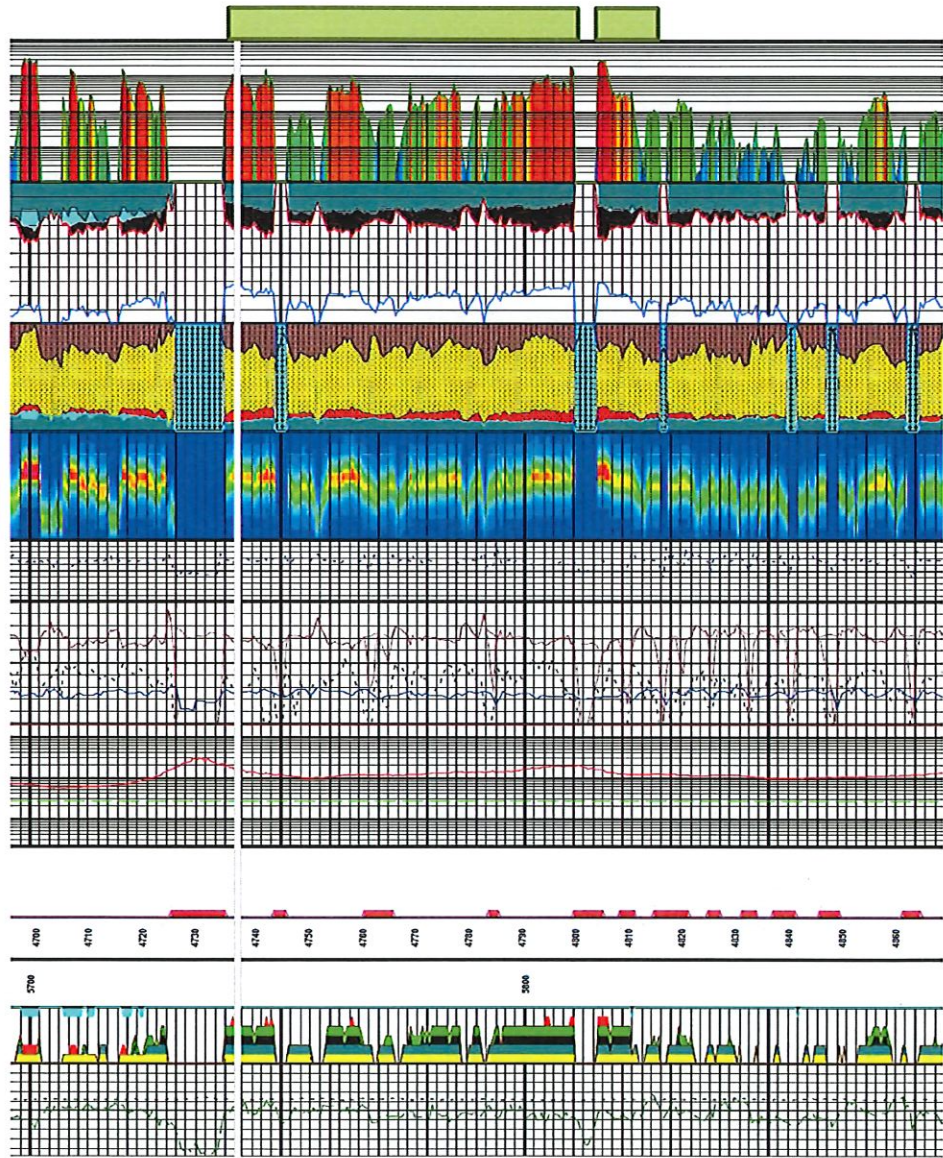
Production Statistics									
Dates		Oct 01, 2016		Feb 28, 2023		Oct 01, 2016		Oct 01, 2016	
First Production:				Last Production:		First Gas:		First Water:	
First Oil:				Gas:		1,051,406		Water:	
Cumulative Oil:								296,427	
Well Information									
API Number	Well Nbr	Data Source	Total Depth	Upper Perf	Lower Perf	Well Status	Latitude	Longitude	L/L Sec
50733206560000	A-1	PI	8243			A	+60.9367	-151.15645	III
PRODUCING_ENTITY: 25000173320656000510									
Data Source:		PI		Country Name:		UNITED STATES			
Lease Name:		KLU (11120)		Completion Date:		Jul 30, 2018			
Operator:		FURIE OPERATING ALASKA LLC		Total Depth:		8,243 FT			
State/Prov:		ALASKA		Upper Perforation:					
County:		KENAI OFFSHORE		Lower Perforation:					
ACTIVE PRODUCING-GENERAL									

Production Statistics									
Dates		Jun 01, 2019		Nov 30, 2023		Jun 01, 2019		Jun 01, 2019	
First Production:				Last Production:		First Gas:		First Water:	
First Oil:				Gas:		2,032,686		Water:	
Cumulative Oil:								24,112	
Well Information									
API Number	Well Nbr	Data Source	Total Depth	Upper Perf	Lower Perf	Well Status	Latitude	Longitude	L/L Sec
50733206560000	A-1	PI	8243			P	+60.9367	-151.15645	III
Wellbores									
Number of Wells:		1						ABANDONED-GENERAL	
WELLBORE: 50733206560000									

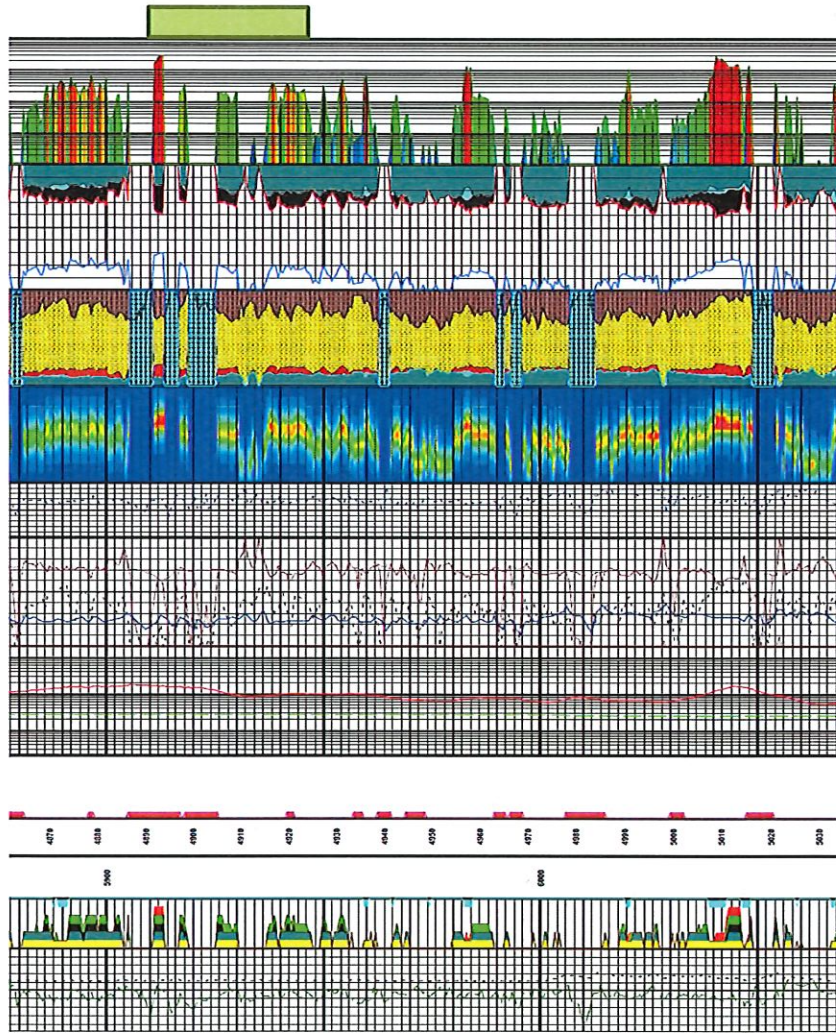


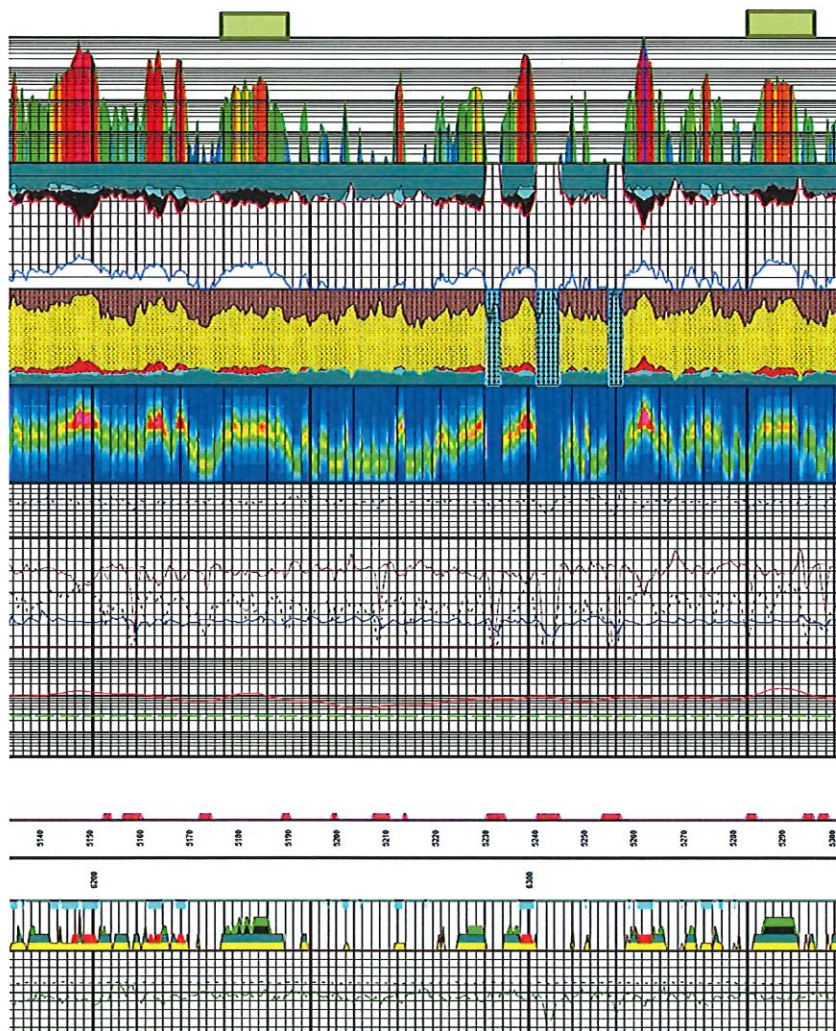






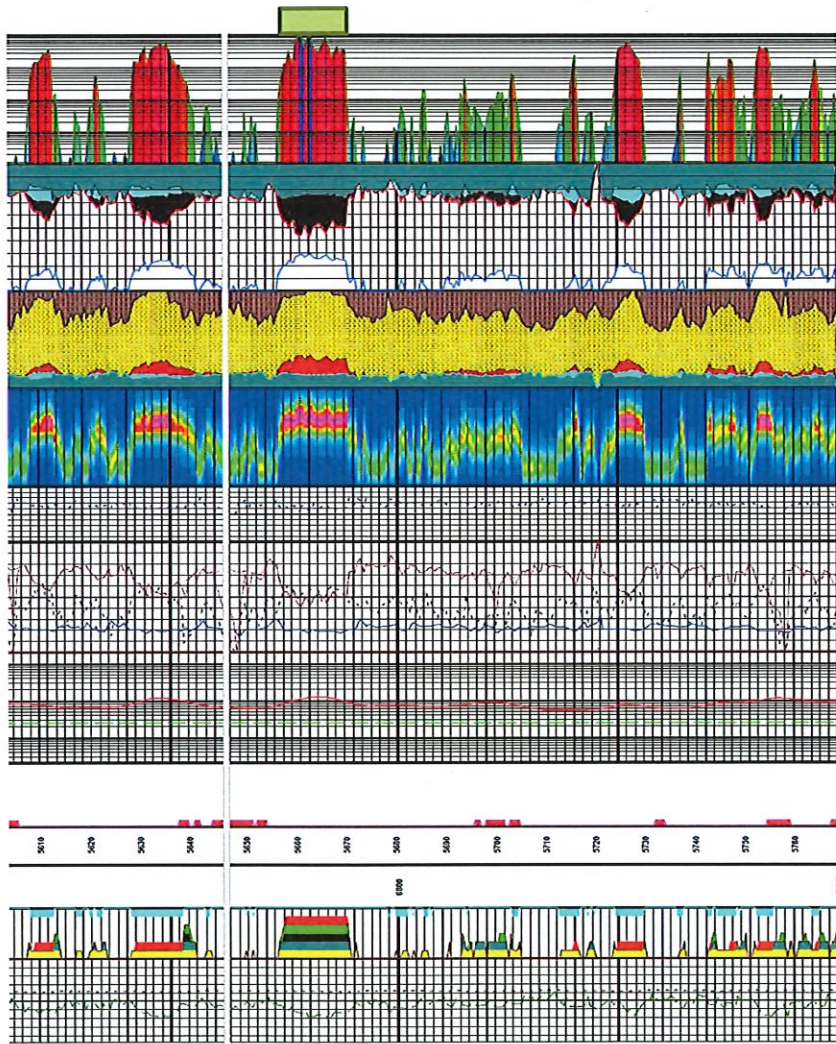




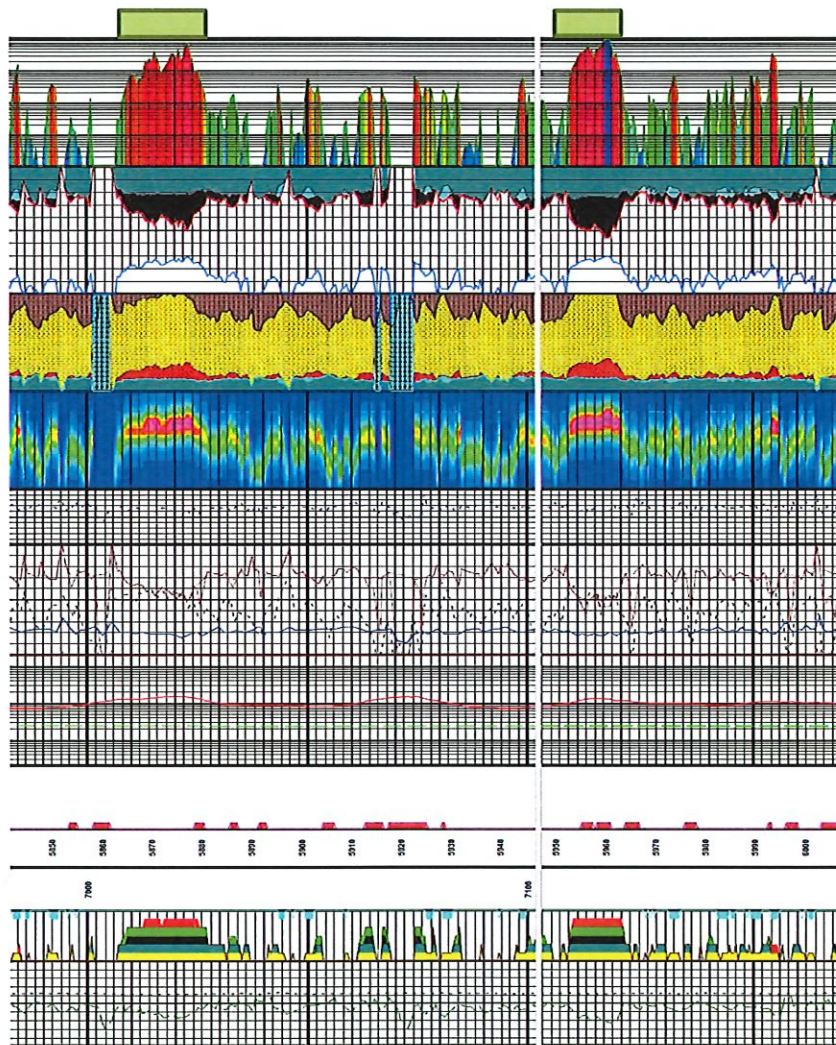






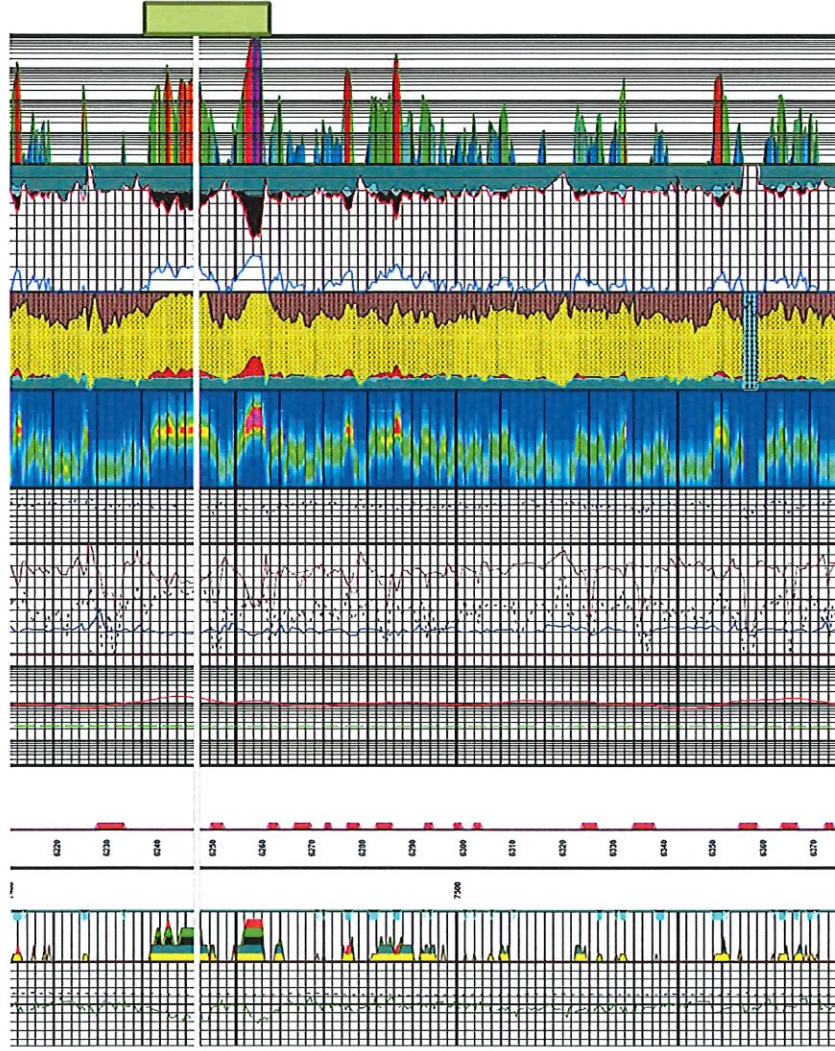


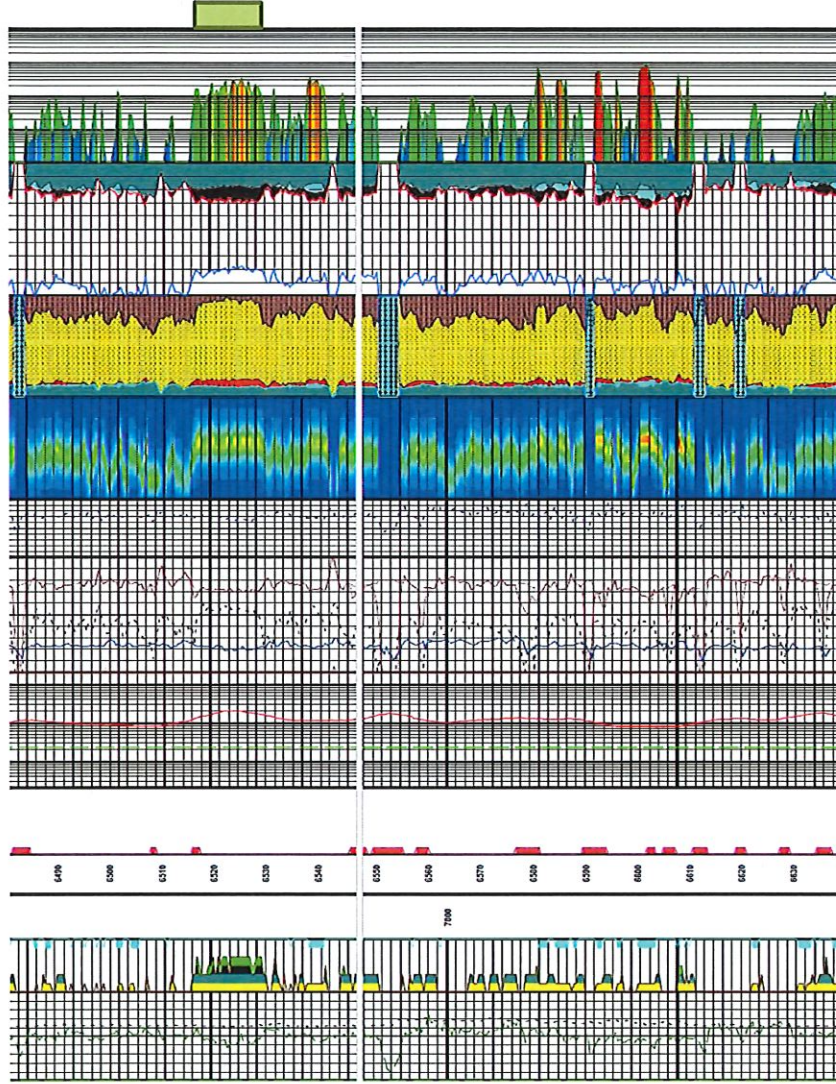




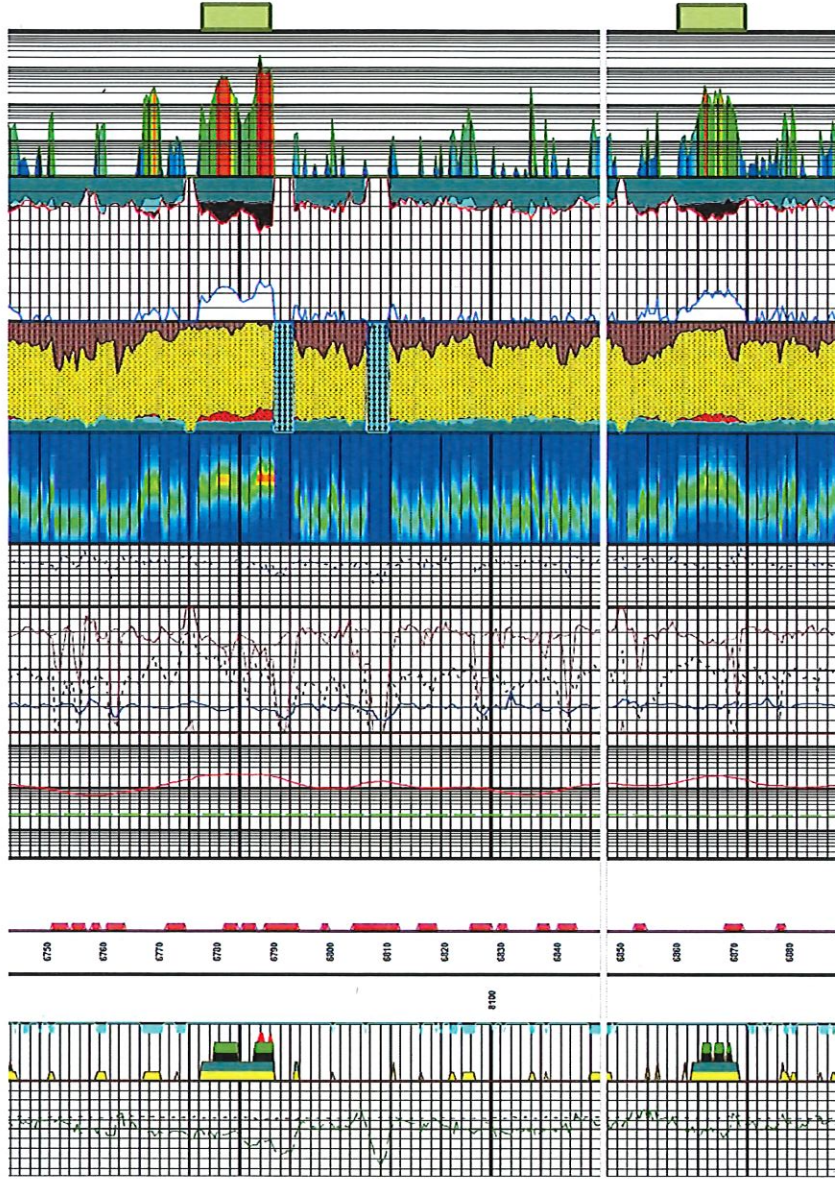












## Furie Energy

Kitchen Lights, Cook Inlet, Alaska

## KLU #3

Net hydrocarbon sand  
thicknesses.

Based on Nutech Log Interpretation.

Nutech Log Analysis				Nutech Rank					Production Test			
	Top Zone	Bottom (Feet)	Gross (Feet)	1	2	3	Net Feet	Average Rank	Start (Feet)	End (Feet)	MMCF /Day	
ZONE	1	3796	3815	20	10	0	9	19	1.95	4190	4225	12.25
	1	3864	3881	18	11	0	7	18	1.78			
	1	3972	3989	18	16	0	2	18	1.22			
	1	4023	4058	36	15	19	2	36	1.64			
	1	3700	4070	92	52	19	20	91	1.65			
	2	4174	4225	52	38	10	4	52	1.35			
ZONE	2	4273	4291	19	0	8	11	19	2.58	4565	4592	0
	2	4334	4343	10	0	5	5	10	2.5			
	2	4174	4350	81	38	23	20	81	2.14			
ZONE	3	4670	4717	48	47	0	1	48	1.04	4600	4632	0
	3	4727	4742	16	15	0	1	16	1.13			
	3	4810	4828	19	0	10	8	18	2.44			
	3	4836	4853	18	9	4	5	18	1.78			
	3	4864	4894	31	12	7	10	29	1.93			
	3	4974	4990	17	6	7	4	17	1.88			
	3	4660	5010	149	89	28	29	146	1.70			
	4	5052	5089	38	16	14	1	31	1.52			
	4	5099	5111	13	10	2	1	13	1.31			
	4	5134	5160	27	1	15	7	23	2.26			
ZONE	4	5248	5268	21	17	0	4	21	1.38	5941	5959	8.85
	4	5387	5401	15	2	4	8	14	2.43			
	4	5030	5470	114	46	35	21	102	1.78			
	5	5520	5532	13	0	8	5	13	2.38			
	5	5564	5575	12	4	4	3	11	2.09			
ZONE	5	5634	5652	19	11	7	1	19	1.47	5999	6005	
	5	5706	5727	22	12	3	4	19	1.58			
	5	5744	5759	16	7	5	2	14	1.64			
	5	5785	5807	23	10	8	2	20	1.60			
	5	5872	5894	23	11	7	3	21	1.62			
	5	5510	5900	128	55	42	20	117	1.77			
	6	5940	5962	23	17	3	1	21	1.24			
	6	5997	6007	11	6	2	2	10	1.60			
ZONE	6	6045	6067	23	6	7	3	16	1.81	6964	6998	16.32
	6	6128	6140	13	0	9	1	10	2.10			
	6	5900	6300	70	29	21	7	57	1.69			
ZONE	7	6328	6345	18	13	0	5	18	1.56	6964	6998	16.32
	7	6300	6570	18	13	0	5	18	1.56			
ZONE	8	6963	6997	35	23	9	2	34	1.38	6964	6998	16.32
	8	7012	7030	19	0	13	6	19	2.32			
	8	6610	7050	54	23	22	8	53	1.85			
ZONE	12	9073	9093	21	0	13	4	17	2.24	6964	6998	16.32
	12	8990	9100	21	0	13	4	17	2.24			
TOTALS				727	345	203	134	682	1.64			

Average Sand Thickness

20

Rank

- 1 Good Permiability, Free Liquids and Hydrocarbons  
 2 No Red - Low permeability, Free Liquids and Hydrocarbons  
 3 No Black and Red - Low perm, No Free Hydrocarbons



# Furie Energy

## Kitchen Lights, Cook Inlet, Alaska

### KLU #2A Side Track

### Net hydrocarbon sand

Nutech Log Analysis								Nutech Rank			Net Feet (ST)	Average Rank
	Zone	Top (Feet)	Bottom (Feet)	Gross (Feet)	Vertical Top	Vertical Bottom	Gross (Feet)	1	2	3		
ZONE	4	6276	6303	28	5030	5045	16	5	22	0	27	1.81
	4	6150	6310	28			16	5	22	0	27	1.81
ZONE	7	6897	6930	34	5380	5398	19	10	15	7	32	1.91
	7	6890	7070	34			19	10	15	7	32	1.91
ZONE	10	7473	7497	25	5704	5717	14	18	5	2	25	1.36
	10	7420	7510	25			14	18	5	2	25	1.36
ZONE	11	7605	7625	21	5778	5789	12	4	4	8	16	2.25
	11	7661	7670	10	5809	5814	6	0	9	1	10	2.10
ZONE	11	7600	7680	31			18	4	13	9	26	2.18
ZONE	14	8380	8391	12	6190	6196	7	9	2	1	12	1.33
	14	8250	8400	12			7	9	2	1	12	1.33
ZONE	15	8519	8533	15	6259	6267	9	14	1	0	15	1.07
	15	8570	8583	14	6285	6292	8	13	1	0	14	1.07
ZONE	15	8510	8610	29			17	27	2	0	29	1.07
ZONE	16	8842	8855	14	6421	6428	8	5	5	4	14	1.93
	16	8700	8910	14			8	5	5	4	14	1.93
ZONE	22	10127	10150	24	7064	7075	12	17	7	0	24	1.29
	22	10198	10213	16	7099	7107	9	9	7	0	16	1.44
ZONE	22	10100	10620	40			21	26	14	0	40	1.36
TOTALS				213			120	104	78	23	205	1.44

Average Sand Thickness

17

Rank

- 1 Good Permiability, Free Liquids and Hydrocarbons
- 2 No Red - Low permeability, Free Liquids and Hydrocarbons
- 3 No Black and Red - Low perm, No Free Hydrocarbons

Furie Alaska, Well Pay Sands Summary.  
Escopeta, July 2013

WELL	ZONE	TOP	BOTTOM	Gross Thickness	Net Pay Sands (ft.)
#2	1	5000	5399	400	49
	2	5400	5798	399	102
	3	5799	6199	401	104
	4	6200	6599	400	288
	5	6600	6999	400	224
	6	7000	7399	400	144
	7	7400	7799	400	64
	8	7800	8200	401	25
	10	8645	8947	303	52
TOTAL			3947	3504	1052
#2A/ST	4	4960	5050	91	16
	7	5375	5475	101	19
	10	5675	5724	50	14
	11	5775	5820	46	18
	14	6120	6200	81	7
	15	6255	6305	51	17
	16	6345	6460	116	8
	22	7050	7300	251	21
TOTAL			2340	787	120
#3	1	3700	4070	371	91
	2	4174	4350	177	81
	3	4660	5010	351	146
	4	5030	5470	441	102
	5	5510	5900	391	117
	6	5900	6300	401	57
	7	6300	6570	271	18
	8	6610	7050	441	53
	12	8990	9100	111	17
TOTAL			5400	2955	682

Note: Well 2A/ST depths have been corrected to vertical depth



**Hendrix Letter to Danny Davis  
Status of Production**



Dear WI/ORRI owners,

I just wanted to give you an update of our production strategy and 2024 outlook.

You will be seeing an increase in your payments in the near term. We have negotiated better pricing and we will be accelerating production for a number of reasons not just price.

Well A1 is dead following a state AOGCC SSSV testing, A2 continues to produce from the Sterling at a high water rate. A3 continues to produce from the Beluga. A4 also continues to produce from the Beluga at 1.4 mmscfpd and we believe will only last until June.

Well A2 is scheduled for a mandatory SSSV test in May. Feeling is that once it is shut in for the test it will not return to production due to the inability to lift the water at lower rates. Knowing this we have decided to open the choke and harvest as much gas as we can prior to it dying from the SSSV Test. A2 has one more other potential zone we can produce from.

We have also opened the chokes on A3 to accelerate its production in the Beluga. It is anticipated that it will reach pipeline pressure and cease flowing mid-summer. This will give us the opportunity to switch to the Sterling in the summertime to handle the water that will come with it.

Unless we drill this summer, we feel that the KLU will only have wells A2 and A3 producing, and payments will be reduced after June. There is also a possibility that only A3 will be producing and if we cannot cover costs we will have to shut in prior to winter.

We will continue to work with AOGCC on deferring SSSV testing, and reducing costs. KLU has a number of drilling opportunities left. However, with a 25% Royalty/ORRI burden and other burdens placed on the operator outside of our control makes it uneconomic and unreasonable to assume the risks.

Sincerely,

John L. Hendrix





## **Natural Gas Storage in Cook Inlet**

Support KDLL, donate today

# Enstar warns lawmakers imported natural gas won't come in time to stymie shortages

KDLL | By [Riley Board](#)

Published February 10, 2024 at 3:12 PM AKST



LISTEN • 3:40



*Sabine Poux / KDLL*

The Enstar's Cook Inlet Natural Gas Storage Alaska facility in Kenai.

Officials with Southcentral's natural gas utility, which relies on production from Cook Inlet, told lawmakers this week that solutions to a looming natural gas shortage could take longer than expected. In a joint House and Senate Resources Committee meeting Wednesday, an executive from natural gas company Enstar said imported natural gas



In 2022, primary inlet producer Hilcorp told Railbelt utilities it may not **be able to fulfill gas contracts** when they're up. That will impact utilities like Homer Electric Association, and Enstar.

Wednesday's presentation followed a weeks-long cold snap, which pushed Enstar to the brink. The utility's president John Sims told lawmakers it **almost ran out of gas** to provide to Anchorage during the coldest days.

"I've been here for 18 years and that was the closest I've ever witnessed us coming to a significant incident," he said.

Sims thanked gas producers and the governor for their help in the incident, but warned that it could be a sign of worse to come.

Enstar serves 150,000 customers in Anchorage, the Mat-Su and most of the Kenai Peninsula. Its storage facility, Cook Inlet Natural Gas Storage Alaska or CINGSA, is located in Kenai, and Sims said on cold days, it helps meet gas demands for 40% of customers.

Sims told lawmakers that Enstar and other utilities have investigated possible solutions for when their Hilcorp contracts end in 2028, like importing natural gas. But those investigations revealed a grim reality.

"But what the studies and what the contractors and the consultants told us is that, of the four projects that rose to the top and seem to be reliable, none of them can meet that timeframe," he said. "So the earliest they expect they can get gas from an import solution is 2030."

He said that delay is likely the result of federal permitting processes. He also warned that imported gas will come at a higher cost, about 60% higher than current rates.

But Sims said even though importing gas isn't ideal, it will become necessary.

"Importing LNG is the second worst thing that Alaska could do. It's bad for the economy, it's bad for jobs, we lose our energy independence, it's a horrible thing for Alaska," he said. "But that's the second worst thing. The worst thing is doing absolutely nothing, and that's where we're in a position to do now. We can't do that."

The committee also heard from companies from Hilcorp, HEX Furie and BlueCrest about their challenges producing gas in Cook Inlet. In his presentation, Hilcorp's Senior Vice President Luke Saugier pushed back against conceptions about the producer's waning investment in Cook Inlet.

"We're investing today at probably the highest level we ever have, and we're committed to fully developing our lease hold," Saugier said. "We're *not* moving to the North Slope and abandoning the basin."

But he did say Hilcorp's current leases do not contain enough gas to meet the Railbelt's demands. And that's why utilities are having to look elsewhere.

Smaller producers, including Alaska-based HEX Furie, also presented. Mark Slaughter, chief commercial officer, described struggles with some of the company's wells, and told lawmakers it's hard to make long-term investments in Cook Inlet under the threats of gas imports and renewable energy.

Slaughter voiced support for royalty reduction considerations — a solution that many Alaska politicians, [including Gov. Mike Dunleavy, have pitched](#). But Saugier from Hilcorp said for the larger company, it's not clear how much of an impact reduced royalty rates would have.

The legislature is set to have hearings on related issues in the coming weeks.

## Tags

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Riley Board is a Report For America participant and senior reporter at KDLL covering rural communities on the central Kenai Peninsula.

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## Two producers bid in state's royalty-free Cook Inlet lease sale

Riley Board, December 18, 2023

Hilcorp Alaska and HEX Cook Inlet were the two bidders in a royalty-free lease sale that state officials hoped would incentivize production in the inlet. It described the outcome of the sale as "promising."





Local News

## **Dunleavy announces plan to incentivize Cook Inlet gas producers**

Riley Board, October 26, 2023

At a press conference Thursday, Gov. Mike Dunleavy said he plans to introduce legislation that will reduce the royalty rate for gas producers in the inlet, to incentivize new production as the state faces looming gas shortages.



Local News

## Despite decades of warning, looming natural gas shortage threatens to drive up Alaska energy prices

Sabine Poux, May 18, 2023

Alaska's largest utilities are mostly dependent on natural gas from Cook Inlet. In this four-part series, we take a look at how now, with just years until demand is expected to outpace supply, they'll need to figure out new ways to get power — and time is running out.



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