



Mark Slaughter, Chief Commercial Officer
April 2026

The logo consists of the letters 'H', 'E', and 'X' in a stylized, blocky font. The 'H' and 'E' are dark blue, while the 'X' is a lighter teal color. The 'X' is positioned to the right of the 'E' and overlaps it.

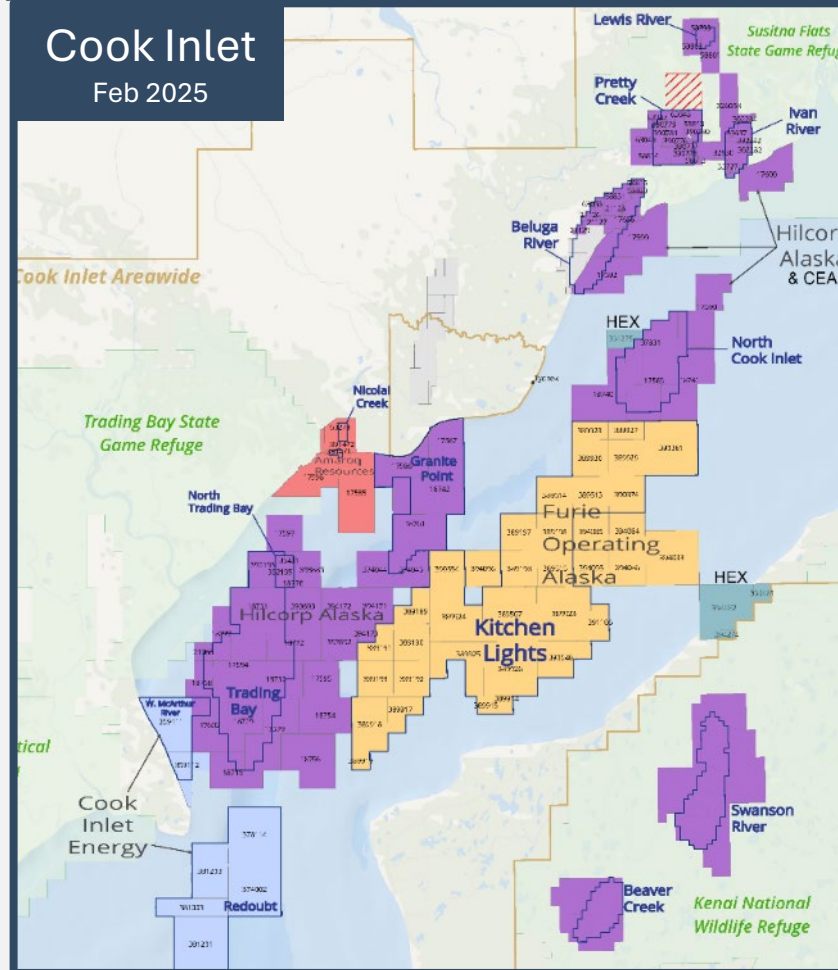
We Support HB 271

“DNR finds that granting royalty modification for select KLU leases is in the best interest of the State.”

DNR Final Findings and Determination Regarding the
Kitchen Lights Unit Royalty Modification Application

Alaska's ONLY Locally Owned & Operated Gas Explorer, Producer, & Operator

- **HEX:** Owner of Furie Operating Alaska, LLC (Furie)
- **Furie:** Operator of Kitchen Lights Unit (KLU)
- '09 KLU formed by bringing 3 units together:
 - Kitchen
 - Corsair
 - Northern Lights



- 9.35% • Produces of Total Gas in Cook Inlet (CI) (AOGCC Dec 2025)
- 2nd • Largest CI Operator
- ~84,000 • Acres KLU Offshore (Furie)
- ~24,000 • Acres Off/Onshore (HEX)
- Operations • Nikiski

How We're Delivering Natural Gas to Alaskans



Allegra Leigh
Offshore
Production
Platform



15-mile Sub-sea
Gathering Line

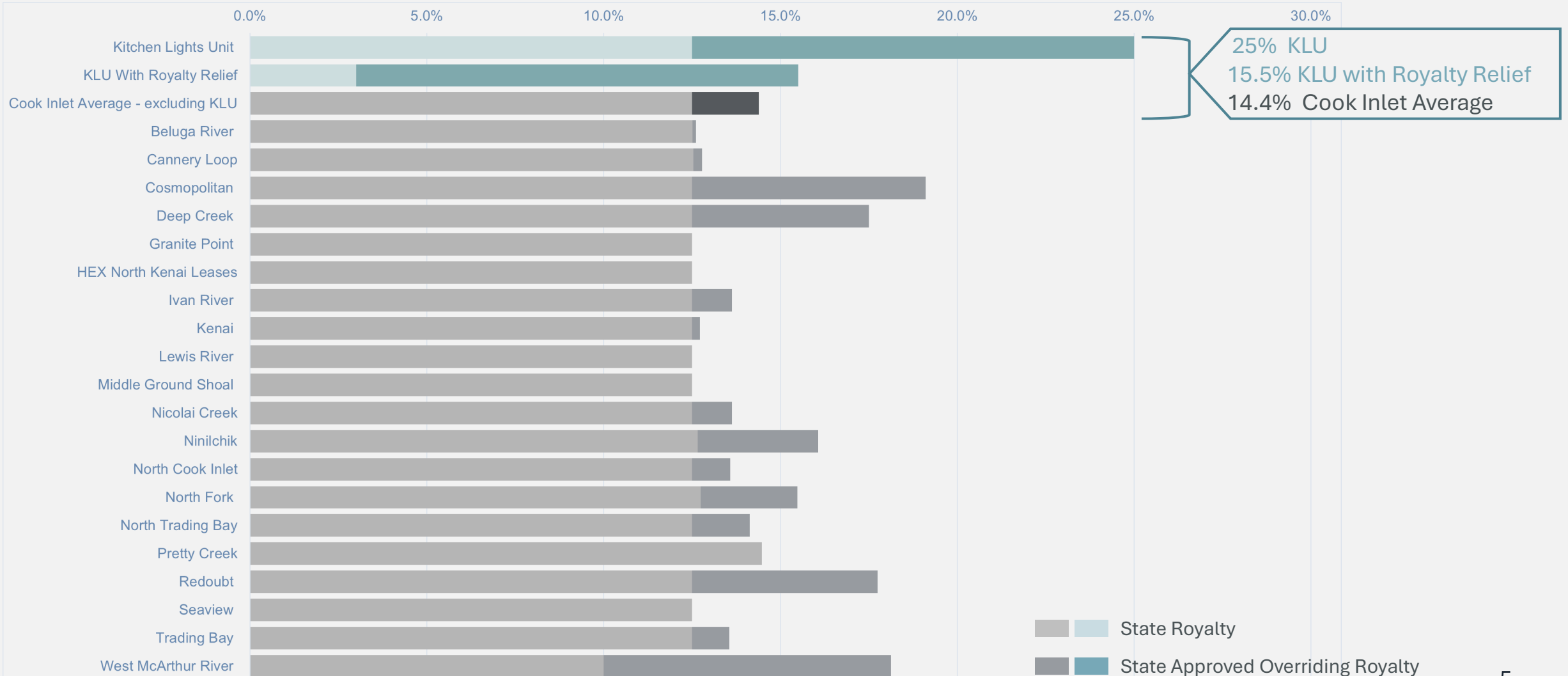


Central
Processing
Facility
in Nikiski



Gas Sales to
Electric Utilities,
Gas Utility,
& Refinery in
Southcentral
Alaska

Cook Inlet Royalty & Overriding Royalty



Benefits of Royalty Relief (RR)

2023 DNR Royalty Relief Process

- **April – November:**
 - Iterative discussions in pre-application phase
 - Concerns expressed by Department of Natural Resources (DNR) about private overriding royalty interest (ORRI)
 - DNR requested HEX to show progress on reducing ORRIs to get to state's best interest findings
 - HEX unsuccessful in reduction of ORRI

2024 Legislature/DNR Royalty Modification

- **HB 223 Cook Inlet-wide royalty relief** by Rep. Rauscher
 - Did not pass
- **HEX ACTIVITY:**
 - **Summer:** HEX/Furie re-engaged work with DNR
 - Applicant worked with DNR commercial unit
 - Commercial modeling led to positive state's best interest finding to grant RR
 - HEX moved forward with sidetrack in advance and in good faith
 - Committed Firm Gas sales to ENSTAR through April 2031

2025 Investing in Cook Inlet

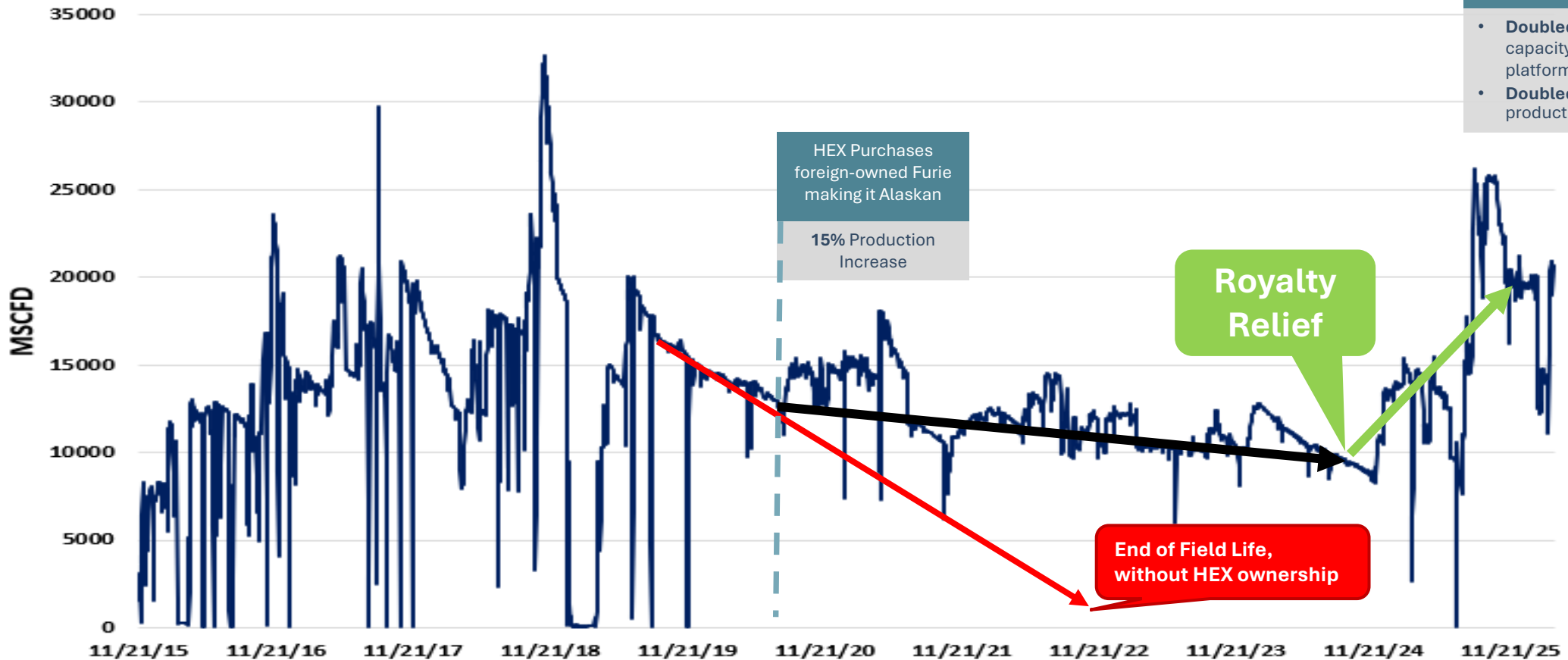
- **Feb 4:** RR granted retroactive to September 2024
- **HEX ACTIVITY:**
 - **April 10:** Moved jack-up rig to Allegra Leigh Platform to drill 2 wells
 - **April 29:** AIDEA \$50MM line of credit
 - **Doubled production and well capacity**
 - **December:** Jack-up rig under contract for 2026

2026 Investing in Cook Inlet

- **HB 271:** Stability for long-term capital investment
- **HEX ACTIVITY:**
 - **Long-lead items ordered**
 - **Investing in the platform:**
 - Header system
 - Line heater
 - **Spring: New vessel to service Cook Inlet** in partnership with Fortune Seas of Homer, AK
 - **Summer:**
 - Scheduled start of drilling
 - 2-3 wells planned

HEX Royalty Relief Impact on Drilling and Reinvestment

Kitchen Lights Unit Production History, 2015-2026





KLU Payments to the State

Taxes & Royalties

- **\$0.17 per mcf for Production Tax**
- **2% Oil and Gas Property Tax Rate:**
 - Split between the State of Alaska and the Kenai Peninsula Borough
- **3% Royalty on Gross Revenue:**
 - Reduced from 12.5% in 2024
 - Temporarily reduced

Mandated

- **\$0.125 per mcf for Dismantlement, Restoration, & Removal (DR&R):**
 - Uncapped
- **\$2,725,000 AOGCC Bonding:**
 - 9 wells total currently

Plan of Development



THE STATE
of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

DIVISION OF OIL & GAS
550 W 7th Avenue, Suite 1100
Anchorage, Alaska 99501-3560
Main: 907.269.8800
Fax: 907.269.8939

December 12, 2025

John L. Hendrix & Mark Slaughter
Furie Operating Alaska, LLC
433 W. 9th Avenue
Anchorage, AK 99501

Re: Kitchen Lights Unit 12th Plan of Development – Approved With Conditions

Dear Messrs. Hendrix and Slaughter:

On October 6, 2025, the Department of Natural Resources, Division of Oil and Gas (Division), received the proposed Kitchen Lights Unit (KLU) 12th Plan of Development (POD) from Furie Operating Alaska, LLC (Furie). The Division notified Furie by email on October 14, 2025, that the POD submittal was deemed complete. Furie provided a technical review to the Division on November 17, 2025.

Unit History

The KLU was formed February 1, 2007, as the Kitchen Unit, and later renamed the KLU when the unit expanded to include acreage from the former Corsair Unit, a proposed Northern Lights Unit and other state leases. In July 2020, HEX, LLC (HEX) took over management of Furie but continues to operate the KLU as Furie. Sustained production from the KLU commenced on or about November 21, 2015. After several attempts between Furie and the Division from 2017 through 2023, the Division approved formation of the Sterling-Beluga Participating Areas (Sterling-Beluga PAs) on December 23, 2023.

The KLU has produced a total of 4.062 billion cubic feet (Bcf) of natural gas, or 11,129 thousand cubic feet per day (Mcf/d) from January 1, 2025, through September 30, 2025. This represents an increase of 37% compared to the same time frame during the prior year. To date (*i.e.*, through October 31, 2025), the KLU has produced 46.3 Bcf cumulatively.

11th POD

Furie implemented Phase I of the full field development plan during the 11th POD period. This development phase largely concentrated on the Beluga formation near the Allegra Leigh Platform. During the 11th POD period of 2025, Furie committed to and completed the following:

- Securing the necessary permits for mobilization of a jack up rig for drilling a sidetrack, grassroots well(s), and any other major sidetrack activities.
- “Tentatively drill up to 2 new penetrations” contingent upon various factors.
 - Installed four 20-inch diameter conductors in preparation for drilling.
 - Drilled, completed, and put into production two new wells, the KLU A-5 and A-6.
 - Installed two additional 30-inch conductors in October 2025.
- Continue to maximize recovery and optimize production from the existing wells in the KLU.

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

HB271 does not change the DNR’s ability to compel HEX/Furie to develop the State’s resources

Based upon the Division’s prior POD approvals and analysis of the 11 AAC 83.303(b) criteria, the Division finds the proposed 12th POD protects the public interest, promotes conservation, prevents waste, and protects the parties’ interests. The proposed KLU 12th POD for the period is approved for the period of January 4, 2026, through January 3, 2027.

Cook Inlet Natural Gas

Challenges

- Future gas market is unique and unstable
- Protecting Alaskans from a supply gap during transition to LNG Export pipeline or LNG Imports
- Duration of gas market
- High costs of drilling in an under-supported and under-explored basin
- Timing of jack-up rig to drill new wells to be determined

“The moment you make the decision to go with **imports**; you’ve essentially killed the **Cook Inlet market** from a production perspective.” - **ENSTAR** President, John Sims during House Energy Special Committee 01/27/26 at 2:37pm

Positives

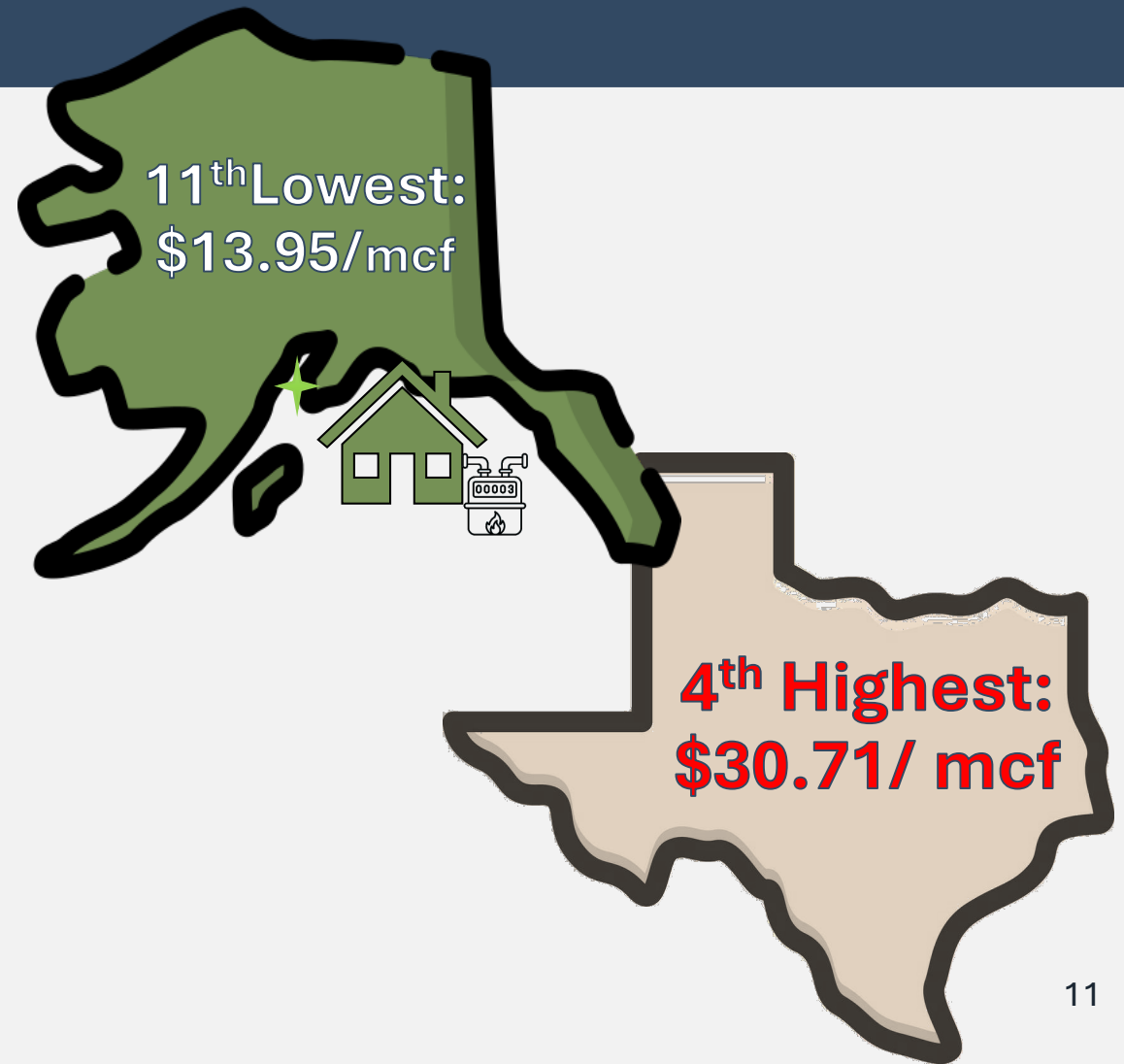
- There is gas in Cook Inlet
- Royalty relief is working, but stability is needed
 - 50% of KLU wells were drilled under royalty relief
- Jack-up rig under contract to drill wells in 2026
- Cook Inlet gas market continues to be met by In-State producers

Local Gas for Better Residential Prices

eia Sources & Uses Topics Geography Tools

rankings natural gas residential prices, September 2025 (\$/thousand cubic feet) Out of 43 states reporting

Rank	State	Value	Rank	State	Value
1	Hawaii	56.92	25	Kansas	17.80
2	Arkansas	33.23	26	New Jersey	17.04
3	Georgia	32.21	27	Oregon	16.82
4	Texas	30.71	28	West Virginia	16.55
5	Missouri	28.51	29	North Dakota	15.84
6	Delaware	27.17	30	Illinois	15.48
7	North Carolina	25.54	31	Indiana	14.78
8	Vermont	25.31	32	Nevada	14.46
9	Alabama	24.43	33	Alaska	13.95
10	New York	23.93	34	Iowa	13.51
11	Arizona	23.77	35	Colorado	12.26
12	District of Columbia	23.27	36	South Dakota	12.11
13	Mississippi	23.16	37	Michigan	11.89
14	Nebraska	23.05	38	New Mexico	11.88
15	Ohio	23.03	39	Utah	11.40
16	Massachusetts	22.50	40	Montana	11.35
17	New Hampshire	22.05	41	Wisconsin	10.42
18	Virginia	20.71	42	Minnesota	9.99
19	Maryland	20.55	43	Idaho	8.11
20	Tennessee	20.33			
21	Wyoming	20.27			
22	South Carolina	19.70			
23	Kentucky	19.61			
24	Pennsylvania	18.43			

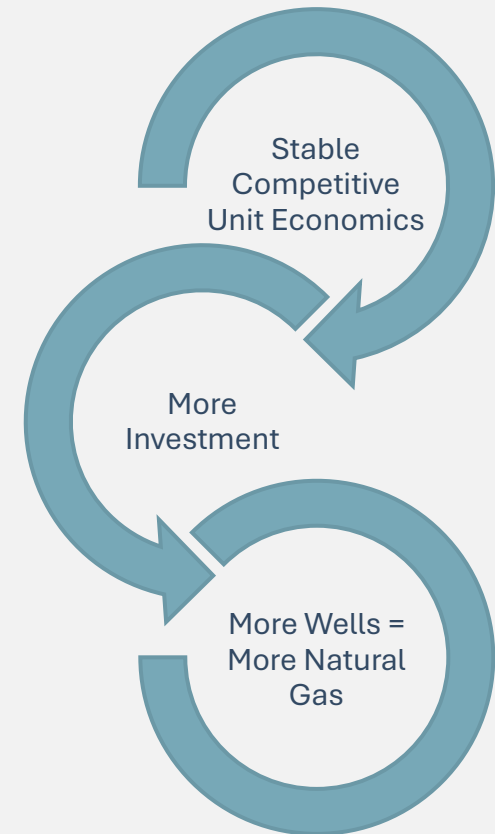


HB 271 Improves on DNR Decision

Stability for long term investment decisions

Promotes rational, economic development of Alaska's resources

Legislation enhances DNR's 2025 Best Interest Finding





Thank you

