



City of Homer

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September 23, 2013

Mr. Randy Bates

Director

Habitat Division

Alaska Department of Fish and Game

P.O. Box 115526

1255 W. 8th St.

Juneau, AK. 99811-5526

SUBJECT: Drill Rig Endeavor / Letter of Support for Buccaneer Permit Application

Dear Director Bates:

The City of Homer was recently contacted by Buccaneer Energy Inc. about the prospect of mooring the Drill Rig Endeavor at the Deep Water Dock this winter for maintenance and repair. Buccaneer stated that it would like to tie up there on or about November 1, 2013. The City has informed Buccaneer that it would need to apply for the required permit(s), including a permit from the Department of Fish and Game pursuant to requirements contained in the Fox River and Kachemak Bay Critical Habitat Area Plan. Buccaneer has indicated that it intends to apply for a permit from Fish and Game and we anticipate that the Kenai/Soldotna Area Management Biologist will be contacted shortly.

The purpose of this letter is to express the City of Homer's support for Buccaneer's permit application. We are writing to you initially because it is the City's understanding that a permit application of this nature is likely to be elevated and because time is of the essence. We are hoping for an expedited review. November 1 will arrive quickly and we cannot afford a lengthy review process. Buccaneer's alternatives are to tow the rig to either Seward or Port Graham. Neither of these alternatives makes sense from a safety, environmental protection, or economic perspective. Mooring the rig at the Port of Homer is the best choice for the company and for the State of Alaska which has an ownership interest. Please consider the following:

- The safest place for the rig to spend the winter is at the Port of Homer. Given the recent experience with the Kullik, it is hard to imagine that towing the rig to Seward, past the Barren

Islands and Gore Point, could be approved without the use of an expensive, heavy lift vessel. Mooring the rig at Port Graham requires frequent and expensive trips by support vessels. Housing, food, and other logistics are a problem, as is mounting a response to an emergency. Homer has the necessary infrastructure, tug boats, personnel and expertise to respond to most safety and environmental emergencies. Homer's other significant advantages include an excellent airport and road access to Anchorage and Kenai.

- The Critical Habitat Plan addresses long term storage of Drill Rigs in Kachemak Bay. Mooring at the City's Deep Water Dock for maintenance and repair is not storage in our view. Extending the legs at a marine industrial dock facility is not the same as extending the legs in environmentally sensitive areas of the Bay. Maintaining this rig to high standards at a facility equipped for such work is essential for safety and environmental protection in Cook Inlet and Kachemak Bay. It also protects the State's investment.
- The Department required that Buccaneer pay for a study by a qualified third party consultant when the Rig left the dock this spring. The study confirmed that extending the legs did not result in any long term environmental or habitat damage. Therefore, there is no reason to expect negative environmental impacts this time either.
- There are significant economic impacts associated with mooring the rig in Homer. First, Homer is the cheapest and most efficient of all of the alternatives and provides the best level of services. As mentioned above, Homer has the infrastructure, support vessels, and marine trade personnel that would be required. These personnel and vessels do not have to be flown in or imported from elsewhere. The impacts to the local economy from having the rig here are substantial. The fiscal impact of Endeavor's last visit is currently being documented by Northern Economics.

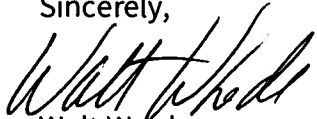
In light of recent developments, it seems reasonable to assume that there will be increased oil and gas exploration and production activity in lower Cook Inlet. Homer is the gateway to Cook Inlet. It is the only year-around deep water, ice free port on the Inlet. It has been designated as a Port of Refuge by the Coast Guard and it already provides a wide variety of support services to the oil and gas industry. Support vessels serving the Endeavor while it was drilling at the Cosmopolitan site were based in Homer and departed from there frequently. LNG tankers routinely anchor in Kachemak Bay waiting for Coast Guard or Customs inspections, a pilot, or dock space in Nikiski. As oil and gas activity expands to the lower Inlet, pressure on Homer to provide services to the industry will only increase. It is the logical choice. Therefore, it is imperative that the question about whether drilling rigs can moor at City port facilities must be resolved. This is not likely to be an isolated or short term problem.

The City of Homer's Port and Harbor has been financed and constructed in order to accommodate and stimulate commerce. The City is interested in doing business with all potential customers provided that they do not pose safety issues or cause environmental harm to Kachemak Bay. Based upon our experience last winter and the study results referenced above, the City believes that drilling rigs can moor at City docks safely and without causing harm to the environment. It is the City's understanding that those who were involved in crafting the critical habitat plan did not

anticipate or intend that its boundaries would include Homer's Port and Harbor. In fact, the Plan clearly states that federal and municipal lands are excluded. We hope to work with the Legislature to resolve the perceived inconsistency between the Critical Habitat Area Plan and relevant statutes. In the meantime, the City hopes you will consider all of the facts and special circumstances here and use your discretion to grant Buccaneer's application.

Thanks for your time and consideration. Please do not hesitate to contact me if you have any questions or wish to discuss this matter further.

Sincerely,

A handwritten signature in black ink, appearing to read "Walt Wrede". The signature is fluid and cursive, with the first name "Walt" being more prominent than the last name "Wrede".

Walt Wrede
City Manager