



VIA EMAIL ONLY

November 14, 2012

Wendy Woolf
Alaska Division of Oil & Gas
550 W 7th Ave, Suite 1100
Anchorage, AK 99501-3560

RE: COMMENTS ON APPLICATION TO FORM WEST EAGLE UNIT

Dear Ms. Woolf:

Please accept these comments on the above-referenced matter.

Buccaneer submitted the West Eagle Unit application to DNR on July 13, 2012. That application included a Plan of Exploration whereby Buccaneer committed to drilling a well within the proposed unit on ADL 391145 by September 30, 2012. Based on information and belief, Buccaneer never drilled that well.

Numerous leases in the proposed West Eagle Unit expired on September 30, 2012.

Buccaneer states in its unit application: “[i]f Buccaneer fails to meet our first drilling commitment [i.e. September 30, 2012], the proposed Unit will terminate and all expired leases will automatically return to the state...we are willing to agree to automatic consequences if we fail to meet our [drilling] commitments.” Buccaneer West Eagle Unit Application, p. 2 (hereinafter “Application”).

So, simply by Buccaneer’s own promises and representations in its Application, the unit request must be denied.

Furthermore, it failed to drill the well prior to the September 30, 2012, expiration of many of the leases in the proposed unit, and DNR cannot now agree to unitize expired leases.

DNR regulations state several ways leases may be extended; in the current instance, only one mechanism is available:

“If, on or before the expiration date of the primary term of a lease, the lease is committed to a unit agreement approved by the state, the lease will be extended for so long as it remains

subject to the unit agreement. 11 AAC 83.190 (See also AS 38.05.180(m) (lease extension shall only occur “if the lease is committed to a unit approved by the commissioner.”))

As noted above, numerous leases in Buccaneer’s proposed Application expired September 30, 2012, and at the time they expired, there was and remains no “unit agreement approved by the state” nor any “unit approved by the commissioner.” Accordingly, the Application must be rejected.

Buccaneer also insists it has “performed significant work” to further its lease commitments. Application, p.2 In fact, according to Buccaneer, it only conducted some preliminary mapping work, reprocessed some old 2d seismic data, submitted a local permit application and completed a cultural resources study. None of this work shows Buccaneer has diligently moved to prove-up its leases and the reservoir or hydrocarbon potential in the area. Instead, it appears Buccaneer has sat largely idle since it acquired the leases in 2010, and only now – with the prospect of expiring leases – has it made any effort to move forward. Now, despite the fact Buccaneer claimed in July 2012 to “be in a position to diligently move forward and explore and develop the proposed Unit Area,” (Application, p. 2), Buccaneer recently asked the state to delay well drilling until July 2013 (see Letter from Mark Landt, Buccaneer, to DNR (Oct. 18, 2012)). Furthermore, while Inletkeeper has been unable to review the confidential geologic report submitted by Buccaneer, nothing in the public record suggests a serious likelihood of a reservoir or a potential hydrocarbon accumulation as those terms are defined by DNR.

DNR’s recent decision to reject Aurora Gas’s Cohoe Unit Application is relevant and largely on point as to the facts and law surrounding Buccaneer’s Application.

See http://dog.dnr.alaska.gov/units/Documents/2012/Cohoe_Comm_Decision_on_Appeal_20120503.pdf

Specifically, DNR found:

It is not the intent of unitization under state law, and it also does not advance the public interest, to facilitate the extension of expiring leases through unitization when there is little or no geological, geophysical, or other exploratory work that demonstrates the existence of a reservoir or potential hydrocarbon accumulation as defined by DNR’s regulations. Id., p. 14.

DNR must reject Buccaneer’s West Eagle Unit Application because to do otherwise will violate the law, set a bad precedent that rewards delinquent behavior, and undermine the predictability needed to ensure leasing and unitization decisions are made in the public interest.

Thank you.

Bob Shavelson
Cook Inletkeeper