

West Eagle Unit Action Alert

COMMENT DEADLINE: November 14, 2012, 5:00 PM

Background: Buccaneer Energy holds oil and gas leases out East Road, most of which expired in September 2012. In order to prevent default on the leases, Buccaneer has asked the Alaska Department of Natural Resources (DNR) to create the West Eagle Unit (an application for a unit stays the lapse of the leases). “Unitization” is the process of combining leases in separate tracts of land into a single entity for administrative, operating or ownership purposes; it is designed to promote certainty and efficiency. Buccaneer has substantial lease holding onshore and offshore throughout Cook Inlet. It has already defaulted on two other blocks of leases in Upper Cook Inlet (the Southern Cross Unit & the Northwest Cook Inlet Unit), though DNR gave Buccaneer a year to cure the defaults. Buccaneer is not a well-capitalized corporation; instead, it is a junior operator leveraging debt and investments from various sources, including the Alaska Industrial Development & Export Authority (AIDEA), which holds an interest in the *Endeavor* drill rig. As a result, it is ill-prepared to address the various risks and potential costs of problems that may flow from drilling on- and offshore.

Talking Points:

- Buccaneer’s unit application and initial unit plan of exploration state it will drill West Eagle Well No. 1 by September 30, 2012. That date has now passed, and the public cannot know from the application materials Buccaneer’s actual plans. As a result, the application packet must be updated and a new public notice and comment period must commence to ensure fairness and transparency in DNR’s unitization process in compliance with 11 AAC 83.303(b)(6).
- In its relatively short time in Alaska, Buccaneer has amassed a spotty tract record; it’s ignored requests for public dialogue from local citizens and media; its delayed payments to workers and contractors; it’s refused to release information about possible invasive species on its *Endeavor* drill rig; it’s violated the Kachemak Bay Critical Habitat Area Plan; and it’s violated state and federal law by failing to get permits prior to conducting seismic detonations on the sensitive Kenai River Flats, among other things. In short, Buccaneer has not shown a true commitment to the community and our natural resource base, and has demonstrated a flagrant disregard for basic rules of conduct.
- Buccaneer purchased the expiring leases on or before March 2010, and it has had 2 ½ years to prove-up its work commitments on the leases. However, Buccaneer over-

extended itself, and is now racing to prevent default. In fact, DNR recently found Buccaneer in default on its Southern Cross & Northwest Cook Inlet units. As a result, Buccaneer lacks the capacity and the resources to effectively fulfill its various commitments around Cook Inlet, and to approve this application will amount to economic waste pursuant to 11 AAC 83.303(a)(2).

- Buccaneer's business model is leveraging substantial on- and offshore tax credits (i.e., ACES & Stampede Act) and various speculative "2P" resource reserves to support its explorations schemes. But poor planning, management and oversight are already threatening this house of cards. It is not in the public interest to allow Buccaneer to proceed without a more concrete showing of its ability to drill its Kenai loop and offshore leases.
- At a public meeting in Homer on October 24, 2012, Buccaneer's Mark Landt stated the West Eagle drilling program would need "millions of gallons of water." Yet nothing in the application materials state where or how such resources would be acquired. As a result, the application does not promote the conservation of natural resources required by 11 AAC 83.303(a)(1).
- The application makes no reference to wetlands impacts, and provides no maps to allow citizens to understand the implications of unitizing the existing leases. Furthermore, the application provides no information or mitigation measures on the increased road traffic, noise and dust unitization may promote. Although these issues may be covered under other applications or authorizations, the public cannot meaningfully comment on the unitization application without such basic information.

Submit comments by November 14, 2012, at 5:00 PM to:

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