

Harbor Blvd.
Oxnard, CA 93035
Oct. 15, 2007

US Coast Guard
2100 Second St. SW
Washington, D.C. 20593-0001
Docket Management Facility

Re: Clearwater Deepwater Port
CG Docket #2007-28676
and State Lands SCH#2007-091106

Ms. Crystal Spurr
State Lands Commission
100 Howe Ave.
Suite 100-South
Sacramento, CA95825

Dear US Coast Guard and Ms. Spurr, State Lands Commission:

In reference to the above proposed LNG regasification terminal to be referred to as Clearwater Port at Platform Grace off the coast of Ventura County, CA, I would like to call your attention to Northern Star's SEC S-1 filing of 12-15-06 (to be found online at <http://www.secinfo.com/dsvRu.v9U1.d.htm>.)

SEC File [333-139424](#) · Accession Number 950129-6-10190

This filing for an initial public stock offering, which so far, to the best of my knowledge, has not taken place provides us with interesting questions that need to be addressed about ability of Northern Star Natural Gas Inc. to complete the Clearwater Port project.

If I read it correctly, this S-1 filing indicates that Northern Star Natural Gas Inc. is a speculative development company presently comprised of a Board of Directors, of whom Misters Soanes and Garrett are the principal directors, being the CEO and President respectively, and the founders of the company. And that Northern Star NG Inc. purchased the rights from or took over for Crystal Energy and Woodside Energy. And that there are a a number of investors, of which the principal investor is Maitlin Patterson. However, Northern Star, according to its own statements it does not have the financial wherewithal to see this project through to fruition.

Please refer to the risk statement in the Sec filing starting on page 11, but most specifically the #2 reason that Northern Star might not be able to complete the project, i.e.,

"the terms and availability of sufficient debt financing and equity financing, both on our part and at the project level, for development and construction of our LNG terminal projects (p. 12);

Furthermore, as per this filing, elaborating on the risks to potential investors is the following statement (p.14.)

" We face competition in developing LNG terminals from competitors with far greater resources.

Many other companies are or are considering building LNG terminals, including major oil and gas companies such as ExxonMobil Corporation, ConocoPhillips, Royal Dutch/Shell Group and Chevron Corporation. Other energy companies such as Cheniere Energy, Inc., Sempra Energy, Suez LNG North America, McMoRan Exploration Co., AES Corporation, Exxcelerate Energy, LLC, BHP Billiton Limited and Woodside Energy Inc. and other public and private companies have also proposed LNG receiving facilities in North America, both onshore and offshore. Most of our competitors have longer operating histories, greater name recognition, larger staff, and substantially greater financial, technical and marketing resources than we do. The superior resources that these competitors have to deploy increases the likelihood that they will successfully develop LNG terminals and could allow them to complete their LNG terminals before we complete our LNG terminals. Among other things, our competitors may not have to rely on external financing to the same extent we do, if at all. The existence and timing of competing LNG terminal development projects may make our ability to obtain financing for construction more difficult or more expensive. Because only a limited number of LNG terminals are likely to be constructed in the United States and on the West Coast in particular, if our competition is successful in developing and building their LNG terminals before we develop and build our LNG terminals, it would materially and adversely affect our business and you could lose all or a significant portion of your investment.

These statements among others indicate that the company is dependent on external financing, which may or may not be forthcoming. If it is forthcoming, it may not be forthcoming in a timely fashion that enables the project to proceed on its timetable or, worse case, leaves the project (as we in Ventura County have seen with residential and other land-based commercial projects when companies run out of funds, file for bankruptcy, have their assets tied up in court cases etc.) in a semi finished state, and in this case, off our coastline, subject to the elements, which can be quite fierce during winter storms. Whether the semi finished elements remained in place or lost part or all of their moorings as happened in the Gulf of Mexico during the 2005 hurricanes, they would pose a severe risk to the coastal land and waters not to mention the host of marine flora and fauna in the Santa Barbara Channel and Channel Islands National Marine Sanctuary.

Furthermore, reading further in the Risk statements the company indicates a substantial indebtedness (p.18)

We may be required to repurchase all or a portion of our convertible notes in cash on [May 17, 2009](#).

The holders of our convertible notes may require us to repurchase all or any portion of the convertible notes on [May 17, 2009](#) in cash at a price equal to the conversion amount applicable to the principal amount being redeemed plus interest accrued but not paid. Based on the amount of convertible notes outstanding as of [November 15, 2006](#), if we were to be required to redeem all of the convertible notes we would be required to make cash payments to convertible note holders in an aggregate amount of up to \$103.5 million plus interest accrued through [May 17, 2009](#), unless all or a portion of the convertible notes are converted by the holders or redeemed by us prior to such date. In addition, if we choose to pay interest on the convertible notes in kind with additional convertible notes, our cash requirements if we are required to repurchase the convertible notes will increase. If we do not have

sufficient cash to meet our repurchase obligations under the convertible notes we may suffer material harm to our ability to operate our business or be required to obtain financing on less favorable terms than would otherwise be available to us.

Subsequently in the filing, we learn that these convertible notes are paying interest of 7% per annum which is being realized by the addition to the principal of the note. Since we know that the EIS/EIR process is likely to take anywhere from 12-36 months, and absent significant revenues from a permitted and operational Bradwood Port in Oregon or the completion of this IPO and use of subsequent stock equity to repay these securities, which might be questionable, it is unclear how the company will meet this obligation by May of 2009 or even May 2013, their outside date.

While anyone in the economic system of the United States of America can set out to become an entrepreneur, and many under capitalized such persons have gone on to become some of our most prominent and successful business people, this usually involves the risk of financial insolvency only and does not usually involve the possibility of extreme risk to coastal cities and an ocean full of endangered mammals.

As you are aware, Northern Star has applied for, or is the process of applying for permits to operate LNG facilities not only on Platform Grace in coastal Ventura waters, but also Bradwood Port on the Columbia River in Oregon, a project that is further along than Clearwater, and also Orion Port off the coast of San Diego County at Carlsbad. It is obvious that they do not have the wherewithal to complete one project let alone three, should they receive permits for more than one, unless and until they are able to be acquired by, become or ally with one of the larger, deep pockets energy companies or secure significant venture capital funding or attract large investors other than Maitlin Patterson. Otherwise, it looks like they will fall short of the operational dollars needed to complete Clearwater Port.

In addition, their estimate of 1.8 billion dollars for the various projects seems, to me, to be a significant underestimate and should also be carefully scrutinized.

The arrangements, rearrangement and re-re arrangements for the option to lease/buy Platform Grace and for the related and interwoven arrangements for the development and operations of Bradwood, Clearwater and, to a lesser extent, Orion are so convoluted and incestuous (if you will) as to be almost unfathomable to all but the most sophisticated investment and venture professionals. There is also, at this moment, and in reference to the acquisition of the options on Platform Grace, litigation by Woodside Energy (p.F-18, filed in August of 2006 for approximately \$6,000,000.)

Therefore, as part of the scoping process, I strongly suggest that questions raised by this SEC filing should become part of the Northern Star EIS/EIR and should be scrutinized by the accounting and financial persons allied with your two organizations as there appear to me to be many issues of the company's financial ability to complete the Clearwater Deepwater Port project.**

Sincerely,
Lauraine Effress

**** Senior Convertible Notes Due 2013**

On [May 17, 2006](#), we issued \$100,000,000 in Senior Convertible Notes due 2013 (convertible notes). The convertible notes are interest bearing and we, at our discretion, may pay interest in cash or in-kind by increasing the principal amount of the notes. The convertible notes bear interest at 5% per annum if paid in cash and 7% per annum if paid in kind. Interest is payable on May 15 and November 15 of each year beginning [November 15, 2006](#). The interest rate is subject to adjustment under certain circumstances. Unless previously converted, redeemed or repurchased, the convertible notes are convertible at any time prior to [May 15, 2013](#) by holders of the convertible notes into shares of our common stock with a par value of \$0.01 per share, on the terms described in the convertible notes at the Option of the Holder, at an initial conversion price of \$9.12 per share. The conversion price is subject to adjustment in certain circumstances.

The convertible notes may be redeemed at our option after a qualified IPO on the later of 18 months after the issue date or 12 months after the qualified IPO subject to satisfaction of certain conditions, at 100% of the principal amount plus additional amounts set forth herein. The convertible note holders may cause us to redeem the convertible notes on the third anniversary of the date of issuance at 100% of the principal amount plus accrued and unpaid interest. We may also redeem the convertible notes at any time after the third anniversary of the date of issuance of the convertible notes at its option at 100 % of the principal amount plus accrued and unpaid interest, subject to satisfaction of certain conditions. Unless previously converted, redeemed or repurchased, the convertible notes will be redeemed on [May 15, 2013](#) at 100% of the principal amount plus accrued and unpaid interest through the date of redemption. Upon the occurrence of a change of control, we will make an offer to repurchase any outstanding convertible notes at 110% and 100% prior to a qualified IPO and after a qualified IPO, respectively, plus additional amounts as stated in the convertible notes.
(p.F-11)

See also F-12 for additional sums expended, owing or outstanding.