

NOTICE OF PROPOSED CHANGES ON BONDING
IN THE REGULATIONS OF ALASKA OIL AND GAS CONSERVATION COMMISSION

The Alaska Oil and Gas Conservation Commission proposes to adopt regulation changes in 20 AAC 25.025 of the Alaska Administrative Code, dealing with Bonding, including the following:

- (1) 20 AAC 25.025 is proposed to be repealed and rewritten as follows: Increasing the minimum bonding amount to more accurately reflect the costs of abandoning wells by establishing a multi-tiered bonding schedule based on the number of wells an operator has.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to Jody Colombie at 333 West 7th Avenue, Anchorage, Alaska 99501. Additionally, the Alaska Oil and Gas Conservation Commission will accept comments by facsimile at (907) 276-7542 and by electronic mail at aogcc.customer.svc@alaska.gov. Comments may also be submitted through the Alaska Online Public Notice System, by accessing this notice on the system and using the comment link. The comments must be received not later than 4:30 p.m. on October 16, 2018.

Written comments also may be submitted at a hearing to be held on October 16, 2018, at 333 West 7th Avenue, Anchorage, Alaska 99501. The hearing will be held from 10:00 a.m. to 2:00 p.m. and might be extended to accommodate those present before 10:30 a.m. who did not have an opportunity to comment.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Jody Colombie at jody.colombie@alaska.gov or mailing 333 West 7th Avenue, Anchorage, Alaska 99501 or calling (907) 793-1221 not later than October 10, 2018 to ensure that any necessary accommodation can be provided.

For a copy of the proposed regulation changes, contact Jody Colombie at the Alaska Oil and Gas Conservation Commission at West 7th Avenue, Anchorage, Alaska 99501 or calling (907) 793-1221, or go to <http://doa.alaska.gov/ogc/>.

After the public comment period ends, the Alaska Oil and Gas Conservation Commission may either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulation may be different from that of the proposed regulation. You should comment during the time allowed if your interests could be affected.

Statutory authority: AS 31.05.030

Statutes being implemented, interpreted, or made specific: AS 31.05.030

Fiscal information: The proposed regulation changes are not expected to require an increased appropriation

Date: August 14, 2018

//signature on file//

Hollis S. French, Chair, Commissioner
Alaska Oil and Gas Conservation Commission

ADDITIONAL REGULATION NOTICE INFORMATION
(AS 44.62.190(g))

1. Adopting agency: Alaska Oil and Gas Conservation Commission
2. General subject of regulation: Bonding
3. Citation of regulation (may be grouped): 20 AAC.25.025
4. Department of Law file number, if any: _____

5. Reason for the proposed action:

 Compliance with federal law
 Compliance with new or changed state statute
 Compliance with court order
 Development of program standards
 Other (identify): Current bonding requirements are insufficient to ensure a well can be properly plugged and abandoned.

6. Appropriation/Allocation: 2010/21_____

7. Cost of implementation to the state agency and available funding (in thousands of dollars):

	Initial Year FY2020	Subsequent Years
Operating Cost	\$0_____	\$0_____
Capital Cost	\$0_____	\$0_____
1002 Federal receipts	\$0_____	\$0_____
1003 General fund match	\$0_____	\$0_____
1004 General fund	\$0_____	\$0_____
1005 General fund/ program	\$0_____	\$0_____
Other (identify)	\$0_____	\$0_____

8. The name of the contact person for the regulation:

Name: Jody Colombie
Title: Special Assistant to the Commission
Address: 333 West 7th Avenue, Anchorage, AK 99501
Telephone: (907) 793-1221
E-mail address: jody.colombie@alaska.gov

9. The origin of the proposed action:

Staff of state agency

Federal government

General public

Petition for regulation change

Other (identify) _____

10. Date: August 14, 2018

Prepared by: _____

Name: Jody Colombie

Title: Special Assistant to the Commission

Telephone: (907) 793-1221

FISCAL NOTE

Agency: Department of Administration, Alaska Oil and Gas Conservation Commission

Appropriation/Allocation: 2010/21

General subject of regulation: Bonding

Citation of regulation: 20 AAC 25.025

Estimated appropriations required (in thousands of dollars) \$0.00

Expenditures/Revenues

	FY 2020 Appropriation Requested	(Thousands of Dollars)	
OPERATING EXPENDITURES	FY 2020	FY 2021	FY 2022
Personal Services			
Travel			
Services			
Commodities			
Capital Outlay			
Grants & Benefits			
Miscellaneous			
TOTAL OPERATING	0.00	0.00	0.00

FUNDING SOURCE		(Thousands of Dollars)	
1002	Federal Receipts		
1003	General Fund Match		
1004	General Fund		
1005	General Fund/Program		

POSITIONS			
Full-time			
Part-time			
Temporary			

CHANGE IN REVENUES			

Date August 14, 2018

Prepared by: _____

Jody Colombie, Special Assistant

DOA/Alaska Oil and Gas Conservation Commission

Phone No.: (907) 793-1221

20 AAC 25.025 is repealed:

20 AAC 25.025. Bonding. Repealed. (Eff. 4/13/80, Register 74; am 4/2/86, Register 97; am 11/7/99, Register 152; am __/__/__, Register _____)

20 AAC 25.025. Bonding. (a) An operator proposing to drill a well for which a permit is required under 20 AAC 25.005 shall file a bond and, if required under (2) of this subsection, security to ensure that each well is drilled, operated, maintained, repaired, and abandoned and each location is cleared in accordance with this chapter. The bond must be

(1) A surety bond issued on Form 10-402A in favor of the Alaska Oil and Gas Conservation Commission by an authorized insurer under AS 21.09 whose certificate of authority is in good standing; or

(2) A personal bond of the operator on Form 10-402B accompanied by security guaranteeing the operator’s performance; security must be in the form of a certificate of deposit or irrevocable letter of credit issued in the sole favor of the Alaska Oil and Gas Conservation Commission by a bank authorized to do business in the state, or must be in another form that the commission determines to be adequate to ensure payment.

(b) A bond, and if required, security must be at least in the amount specified in the following table:

Number of Permitted Wellheads	Minimum Bond Amount
1-2	\$500,000
3-4	\$800,000
5-6	\$1,100,000

7-8	\$1,400,000
9-10	\$1,700,000
11-19	\$2,000,000
20-29	\$3,000,000
30-39	\$4,000,000
40-49	\$5,000,000
50-74	\$6,500,000
75-99	\$8,000,000
100-199	\$10,000,000
200-299	\$11,000,000
300-399	\$12,000,000
400-499	\$13,000,000
500-749	\$14,000,000
750-999	\$15,000,000
1000-1499	\$17,500,000
1500-1999	\$20,000,000
2000-2499	\$22,500,000
2500-2999	\$25,000,000
3000-3499	\$27,500,000
3500-3999	\$30,000,000

(1) For the purposes of this section, a wellhead is considered any well (excepting lateral well branches drilled from an existing well) for which the commission has issued a permit to drill that has not been permanently plugged and abandoned.

(2) Upon request of an operator, or on its own motion, the commission may increase or decrease the amounts set forth in subsection (b) based on evidence that engineering, geotechnical, environmental, or location conditions warrant an adjustment of those amounts.

c) Operators with bonds and, if required, security in place at the time these regulations become effective will be allowed to increase the amount of its bond and, if required, security to the amount required under (b) of this section in four installments. The installments shall be made as follows

(1) The first installment shall be due <<insert date 90 days after the effective date of these regulations>> and shall be a minimum of \$500,000 or one quarter of the difference between the operator's existing level of bonding and, if required, security and the level required under section (b) of this part, whichever is greater,

(2) The second installment shall be due <<insert date one year after date specified in subsection (1)>> and shall be a minimum of \$500,000 or one third of the difference between the operator's existing level of bonding and, if required, security and the level required under section (b) of this part, whichever is greater,

(3) The third installment shall be due <<insert date two years after date specified in subsection (1)>> and shall be a minimum of \$500,000 or one half of the difference between the operator's existing level of bonding and, if required, security and the level required under section (b) of this part, whichever is greater, and

(4) The final installment shall be due <<insert date three years after date specified in subsection (1)>> and shall be in the amount of the difference between the operator's existing level of bonding and, if required, security and the level required under section (b) of this part.

d) A bond and, if required, security must remain in effect until the operator's wells have been permanently plugged and abandoned in accordance with 20 AAC 25.105 and the commission approves final clearance of the locations. The commission may then, at the operator's request and depending upon the count of active permitted wellheads for the operator, release all or a portion of the bond and security upon written request of the operator.

e) The operator must provide written proof that the company that provides its bond or security in accordance with subsection (a) of this section has agreed to provide the commission with written notification at least 90 days prior to the expiration or termination of any bond or security.

f) Payment under a surety bond or security does not relieve an operator from any other legal requirements.

g) The commission will not approve a permit to drill application from an operator that is out of compliance with this section. (Eff. am __/__/__, Register ____.)

Authority: AS 31.05.030