

20 AAC 25.025 is repealed: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 Repealed.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 as operator that is out of compliance with this section. (Eff. am __/__/__, Register ____.)

Authority: AS 31.05.030

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

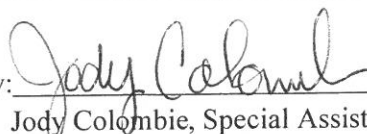
FUNDING SOURCE		(Thousands of Dollars)	
1002	Federal Receipts		
1003	General Fund Match		
1004	General Fund		
1005	General Fund/Program		

POSITIONS			
Full-time			
Part-time			
Temporary			

CHANGE IN REVENUES			
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