



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Alaska Oil and Gas
Conservation Commission**

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March 2, 2020

Senator Peter Micicche
Chairman
Senate Resources Committee
Juneau, AK 99801

Representatives John Lincoln and Geran Tarr
Co-Chairs
House Resources Committee
Juneau, AK 99801

Dear Legislators:

In response to your request from the joint committee hearing on February 26, 2020, I am providing a summary of what the Alaska Oil and Gas Conservation Commission (AOGCC) requires of operators with respect to bonding.

The relevant regulation can be found at 20 AAC 25.025 and the statute can be found at AS 31.05.030(d)(4). Every operator in Alaska is required to file a bond or financial security to ensure that each well is drilled, operated, maintained, repaired, plugged and abandoned and each location is cleared. The final regulation and required bonding amounts, depending on number of wells, is attached for your reference. Operators who comprise 99% of all oil and gas production in Alaska complied with the new amounts, while six independent operators filed reconsideration requests.

Operators who had a bond in place with AOGCC on May 18, 2019, were allowed to make four installments, due in August of each year. The first installment was due August 16, 2019, with a minimum of either \$500,000 or one-quarter of the difference between the operator's existing level of bonding and the new requirement.

As of the writing of this letter, BP Exploration Alaska, Inc (BPXA), is compliant with the updated bonding regulation. BPXA operates approximately 1,776 wells and is required to maintain \$30 million in bonding by August 16, 2022. Currently, the AOGCC has a surety bond from BPXA in the amount of \$7,650,000, with the next installment of \$7,450,000 due August 19, 2020.

Likewise, Hilcorp Alaska, LLC (Hilcorp) is also compliant with the updated bonding regulation. Hilcorp operates approximately 1,042 wells and is required to maintain \$30 million in bonding by August 16, 2022. Currently, the AOGCC has a surety bond in the amount of \$7,650,000, with the next installment of \$7,450,000 due August 19, 2020.

Please let me know if I can provide any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Price".

Jeremy M. Price
Chair, Commissioner

cc: Commissioner Dan Seamont
Commissioner Jessie Chmielowski
Commissioner Corri Feige