

20 AAC 25.025 is repealed and readopted to read:

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, plugged 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 in compliance with the following:

(1) a bond and, if required, security must be in the amount specified in the following table:

Number of Permitted Wellheads	Bond Amount
#1 - #10 wells	\$400,000 per well
#11 - #40 wells	\$6,000,000
#41 - #100 wells	\$10,000,000
#101 - #1,000 wells	\$20,000,000
Over 1,000 wells	\$30,000,000

(2) 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 (Form 10-401) that has not been permanently plugged and abandoned;

(3) upon request of an operator, or on its own motion, the commission may increase or decrease the amounts set out in (1) of this subsection based on evidence that engineering, geotechnical, environmental, or location conditions warrant an adjustment of those amounts.

(c) An operator with a bond and, if required, security in place on May 18, 2019 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 is due August 16, 2019 and must 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 (b) of this section, whichever is greater;

(2) the second installment is due August 16, 2020 and must 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 (b) of this section, whichever is greater;

(3) the third installment is due August 16, 2021 and must 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 (b) of this section, whichever is greater; and

(4) the final installment is due August 16, 2022 and must be in the amount of the difference between the operator's existing level of bonding and, if required, security and the level required under (b) of this section.

(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 (a) of this section has agreed to provide the commission with written notification at least 90 days before 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. 4/13/80, Register 74; am 4/26/86, Register 97; am 11/7/99, Register 152; am 5/18/2019, Register 230.)

Authority: AS 31.05.030

AS 31.05.150