# AIX Energy LLC

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Alaska Oil and Gas Conservation Commission
333 West 7th Avenue, Suite 100
Anchorage, AK 99501

AIX Energy LLC ("AIX") appreciates this opportunity to provide comments to the Commission regarding the August 14, 2018, Notice of Proposed Changes on Bonding in 20 AAC 25.025.

- AIX, as the owner and operator of four gas wells at the Kenai Loop Gas Field ("KLGF"), respectfully requests an exemption from the AOGCC from additional bonding/financial security due to financial security currently pledged at 100% of DR&R/P&A for the four KLGF gas wells as required by a lessor that is an agency of the State of Alaska coupled with $500,000 DNR bond and $200,000 AOGCC bond providing financial security/bonding at approximately twice the cost to DR&R/P&A the four KLGF gas wells. Other producers may have a similar requirement by a lessor(s). AIX asks the Commission to review a producer's existing bonding/financial security including bonding/financial security required by other state agencies when adopting new increased bonding requirements for current producers. To require additional bonding/financial security of AIX for P&A of the four KLGF gas wells would be onerous especially as a small producer. Furthermore, additional bonding is not necessary.

- The proposed regulation for smaller producers is particularly burdensome with securing additional bonding costing significant additional premiums each year as smaller producers do not have the same economies of scale as with larger producers.

- Wells are grouped into the same classification with no distinguishing between onshore and offshore wells as with other states, i.e. Texas and Louisiana. The cost to P&A could be considerably higher for offshore wells versus onshore wells.

- Proposed implementation within 90 days would be problematic and a hardship for small operators having limited resources.

AIX understands the Commission's need to ensure that each operator in the state has sufficient bonding in place to guarantee that wells are properly P&A. However, the changes to 20 AAC 25.025 as proposed do not allow the Commission to adjust the required bonding amount for operators like AIX that already have in place sufficient bonding and financial security.

Thank you for your review and consideration of these comments.

Sincerely,

Wendy M. Sheasby, CPA
CFO

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