



Amaroq Resources, LLC

4645 Sweetwater Blvd., Suite 200
Sugar Land, TX 77479

October 16, 2018

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

**RE: Proposed Adoption of Regulation Changes in 20 AAC 25.025
Increasing Minimum Bonding Requirements**

Amaroq Resources, LLC (“Amaroq”) respectfully submits the following comments in response to the AOGCC’s proposed changes in 20 AAC 25.025:

1. The proposed changes are unfair to smaller operators. Amaroq currently operates 6 wells in the Cook Inlet and under the proposed changes would be required to post a \$1.1 million bond, or almost \$200,000 per well. Whereas a hypothetical operator with 399 wells on the North Slope would be required to post a \$12.0 million bond, or just over \$30,000 per well. This difference is especially perplexing in that plugging and abandonment costs for wells on the North Slope will be much more costly.
2. The proposed increased bonding requirements will create at minimum, an economic hardship for smaller operators and in the worst case could trigger the situation the commission seeks to avoid, namely wells orphaned by the operator. Amaroq’s ability to secure this level of bonding is questionable. Absent the new statutory required level of bonding and the resulting inability to operate our wells, Amaroq would be unable to plug and abandon the six wells.
3. The proposed rapid implementation of the higher bonding levels (\$500,000 within 90 days) will create an economic hardship for Amaroq and presumably other smaller operators. Implementation of the proposed bonding requirements could literally put Amaroq out of business and result in the plugging of wells that would otherwise remain on production and generate the associated benefits (employment, state royalty, prevention of resource waste, etc).

4. The proposed bonding requirements *far exceed* levels required in other oil and gas producing states and will discourage investment in Alaska. Several examples:

California's bonding requirements effective January 1 of this year are as follows:

- a. \$200,000 for 50 or fewer wells
- b. \$400,000 for 51-500 wells
- c. \$2,000,000 for 501 – 10,000 wells
- d. \$3,000,000 for more than 10,000 wells

In Colorado, an operator needs a \$60,000 state-wide blanket bond for less than 100 wells, or \$100,000 state-wide blanket bond for more than 100 wells.

In Texas, if you operate less than 10 wells, the required bond is \$25,000. If you operate 10-100 wells, the required bond is \$50,000 and more than 100 wells is \$250,000.

This discrepancy in bonding requirements cannot be ignored, it will have a significant detrimental impact on oil and gas exploration and production in Alaska.

Your consideration of Amaroq's comments is respectfully requested.

Sincerely,



G. Scott Pfoff – President
Amaroq Resources, LLC
(formerly *Aurora Exploration, LLC*)