



October 16, 2018

Hollis French, Chair  
Alaska Oil and Gas Conservation Commission  
333 West 7<sup>th</sup> Avenue  
Anchorage, AK 99501  
Aogcc.customer.svc@alaska.gov

VIA ELECTRONIC MAIL

**Re: Public Comment – Proposed Changes to 20 AAC 25.025**

Dear Commissioner French,

Thank you for the opportunity to comment on the Alaska Oil and Gas Conservation Commission's ("AOGCC") proposed changes to the Bonding regulations. Please let this letter serve as a comment for the record on behalf of Oil Search (Alaska), LLC ("OSA").

OSA's parent company, Papuan Oil Search Ltd. ("Oil Search"), is a Papua New Guinea-based corporation based in Port Moresby, Papua New Guinea (or PNG). Established in 1929, Oil Search is traded on the Australian and Port Moresby stock exchanges. Oil Search, through its subsidiary OSA, recently purchased interest in oil and gas leases on the North Slope from Armstrong Energy, LLC and GMT Exploration, LLC.

OSA is a recent entrant into Alaska and is in the process of establishing operations, including the establishment of Bonds and Letters of Credit to meet statutory and regulatory requirements of various state agencies, including the AOGCC.

Most notably, OSA has a bonding agreement with the Alaska Department of Natural Resources' Division of Oil and Gas ("DOG"), which agreement addresses surface impacts as a result of activity under the leases. The agreement is comprehensive and is based on OSA's financial strength, operational capability and commercial consideration of the leasehold, while protecting the State's interests.

As the Commission evaluates possible changes to its Bonding regulations, OSA suggests that the Commission consider developing an inter-agency unified bonding program in cooperation with the other agencies of the State that have similar Bonding requirements related to oil and gas exploration and development activities in Alaska. Development and implementation of such a unified Bonding program could become an effective way to meet statutory obligations and provide several benefits, both to the State and the lessee. These benefits would include:

- Clarity of the State's expectations of operating companies regarding required financial assurances.
- Flexibility to negotiate a bonding structure for individual companies, including consideration of such factors as financial strength, demonstrated operational capability, and location of assets relative to the cost of doing business (*e.g.*, wells and infrastructure are less expensive to dismantle, remove and remediate when they are located closer to areas with existing infrastructure).
- Elimination of duplicative Bonding requirements where agencies have overlapping regulatory mandates.

Oil Search is enthusiastic about the many opportunities it sees for additional investment in Alaska. However, the uncertainty and duplication of the overall State bonding program creates unnecessary complications for companies considering such investments. A unified State Bonding program, as suggested above, would enhance the State's ability to attract new investment while preserving its authority and regulatory mandate.

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OSA would also like to point out a possible typographic issue. In section (g), the draft regulation states “The commission will not approve a permit to drill application from as operator that is out of compliance with this section.” OSA believes that perhaps the commission intended the pertinent section to read “from *an* operator.”

We appreciate the opportunity to engage in the public process and comment on the proposed regulation. If you have any questions or concerns, please do not hesitate to contact me at 907-375-4624, or by email at [tim.jones@oilsearch.com](mailto:tim.jones@oilsearch.com).

Sincerely,



Tim Jones  
Land Manager