

# Division of Oil & Gas Bonding

*Senate Resources Committee*

*Presented by:*

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# BACKGROUND

- Leases require returning the land in a condition that is satisfactory to the state
- Bond at initial operations (lease) or assumption of operatorship (unit) provides some funding towards dismantlement, removal, and restoration (DR&R)
- Assignment of Lease - assignment bond may be required

# BONDING AUTHORITY

- Lease Bonds - 11 AAC 83.160
  - (a) before operations, must furnish a bond of at least \$10,000
  - (c) may furnish a statewide bond in the amount of \$500,000.
- Unit Bonds - 11 AAC 83.390
  - may furnish a statewide bond under 11 AAC 83.160
- Assignment Bond -11 AAC 82.615
  - At assignment which “clearly binds the assignee and the assignee’s surety to any unperformed obligations of the assignor”

# DISMANTLEMENT, REMOVAL & RESTORATION

- Pacific Energy Resources LTD – Identified exposure
- Industry Changes – Major companies to smaller mid-size companies and Limited Liability Companies
- Hard look at means and methods to cover State's exposure

Formal DR&R agreements

Process and timing

Coordination w/ Alaska Oil & Gas Conservation Commission

# FINANCIAL VEHICLES

- Publicly Traded Company (ARO)
- Parent guaranty
- Sinking fund
- Performance bonds
- Certificates of Deposit

DR&R agreements prescribe periodic submission of independent third-party DR&R studies and estimates.

# QUESTIONS?

