**SECTION I. NPSL REPORTING REQUIREMENTS OVERVIEW**

**Items highlighted in yellow were updated in this edition**

**(Current as of August, 2017)**

**A. OVERVIEW:**

The following overview describes the format, coding, and procedures for the State of Alaska, Department of Natural Resources, Division of Oil and Gas (DO&G) NPSL filing. More detailed instructions for each of the reports and supplemental reporting listed below that must be filed in meeting lease and regulatory requirements can be found in other instructions on our public website located at <http://dog.dnr.alaska.gov/Services/Royalty>.

The NPSL Report filing standardizes oil and gas royalty reporting and payments for all lessees. A complete NPSL Report filing consists of all the following parts as applicable to each Accounting Unit:

1. Current-Production-Month Reporting:

1. a. [NPSL Volume Value Report](http://dog.dnr.alaska.gov/Royalty/Documents/ReportingSectIID_VV_201204.pdf) : VV Form

b. NPSL Account Report: AC Form

c. NPSL Petroleum Production Tax Lease Allowance Report: PT Form

 d. Royalty or Net Profit Share Lease (NPSL) Payment Summary Report: S1 Form

 e. NPSL Supplemental Reports

2. Prior Production Month Revisions:

a. Revisions to any of the above reports that are necessary to correct previously filed reports or supplemental reports.

1. NPSL Payment(s):
2. Payment as a lump sum for all NPSL leases.

Information for the VV Form listed in 1. (a) Above is organized by Product Groups as described in the VV reporting instructions. Report Oil and NGL Product Groups production data first and/or report Gas Products Group data below that on the VV Form. Cross-reference NPSL Payment Summary Reports with AC Payments using a Control Number as described in your **myAlaska** site.

**Electronic Filers:**

Each lessee must designate an electronic filer. Contact the Royalty Accounting Section at 269-8800 or via email at Royrep@alaska.gov to request your **myAlaska** user logon and password instructions.

 Each lessee may choose from one of two electronic formats, Electronic Data Interchange (EDI) or Excel spreadsheet form. If the Excel form is used the file must be saved as an XLSX or XLSM form.

**Reporting Responsibility:**

Royalty payments and corresponding Royalty or NPSL Payment Summary Reports must include complete payments and corresponding Royalty Valuation Reports as described in the other royalty accounting instructions on our public web site.

Each lessee must file, monthly, all reports required for the Current-Production-Month for each active lease in which they have lease ownership. According to 11 AAC 83.245 each lessee must file all reports required for the current production month for each NPSL Lease in which they have ownership no later than 60 days following the end of each month.

A single lessee may file and pay for all lessees in a Lease. However, all lessees in the Lease must formally agree in writing to this reporting and payment arrangement. In addition, the Commissioner of the Department of Natural Resources, hereafter referred to as the Commissioner, must approve this arrangement in writing.

NOTE: According to all lease agreements, it is the ultimate responsibility of each lessee to ensure that their oil and gas royalty and net-profit-share reporting and payment obligations are met on each of their leases, regardless of any operating or payment agreements in effect.

All NPSL Reports will be filed electronically and consist of real numbers which may have formulas. Electronically filed reports must follow the guidelines set forth in the [Electronic Filling Instructions](http://dog.dnr.alaska.gov/Royalty/Documents/Electronic_Filing_Instructions.pdf).

If the original filing is illegible, i.e. none of or most of the files could not be read by DO&G, refile the entire original filing.

All payments must be submitted electronically using Automated Clearing House (ACH) payment procedures. All ACH payments must be in CCD+ format with an addenda record reporting the Control Number described in these instructions.

DO&G may assess an Administrative Fee of $75.00 per day for each lease with incomplete reports or missing reports required for a NPSL Report filing in accordance with regulation 11 AAC 83.245(h).

**B. NPSL VOLUME VALUE REPORT (VV FORM) REPORTING REQUIREMENTS:**

The Net-Profit-Share Volume/Value Report (VV Form) includes production activity for the NPSL as it applies to individual “Accounting Units” that occur on the lease. Use this report to file information about oil and gas quantities produced and sold, selling and cost values for those volumes by “Selling Arrangement” as well as the abandonment costs for the associated volumes. Use the VV Form to file “Current-Production-Month” detail and for filing revisions to prior “Production Months.” When the NPSL is included within more than one “Accounting Unit,” a separate VV Form must be filed for each “Accounting Unit” in which the lease is included.

The information and the codes used on a VV Form may vary from one lease to another and from one “Accounting Unit” to another because some information requirements may vary according to the “Products” produced and the operational activities conducted within an individual lease or “Accounting Unit.” The examples found at the end of these instructions are generic examples of VV Forms and are not definitive examples for every lessee in every lease in every “Accounting Unit.”

The report is organized into “Report Header Data” and “Report Detail Data.” The “Report Header Data” provides specific non-repetitive information about the reporter, the type of report (‘Oil Report’ or ‘Gas Report’), and the production location and period. The “Report Detail Data” provides detailed data on volumes, values, and amounts. Each line is one record; each column represents a specific data item.

**Accounting Unit:**

An "Accounting Unit" is any “Lease Operation,” “Tract Operation,” or “Participating Area” that constitutes a single production, financial and reporting entity. DO&G assigns “Accounting Unit” designations for any operation from which petroleum “Product” is produced for any length of time. DO&G identifies “Accounting Units” as “Active” or “Inactive” based on whether a lessee produces or has produced “Oil,” “Gas,” or associated substances from the “Accounting Unit.” DO&G considers “Accounting Units” with intermittent production in “Active Status,” even during periods of no production. An “Accounting Unit” remains “Active” until the “Accounting Unit” is “Abandoned.”

Report quantities as follows:

1. All ‘Oil Report’ (BLS), ‘Gas Report’ (MCF), or other quantities are to be rounded to the second decimal place (round 2nd decimal up one if the 3rd decimal is five or higher) or per applicable agreement with the State.

2. All negative numbers must be preceded by a minus (-) sign.

Report dates in exactly the following format.

1. Report Month-Day-Year formats as ‘mm/dd/yyyy’.

File complete revisions of original VV Forms following the same rules as for the original report. A complete report must include all the Products and Dispositions reported on the original filing. If Product/Dispositions reported on the previous report are no longer assigned production on the revised report, that Product/Disposition must be reported on the revision with zero production assigned to it. Reporting in this manner reverses previous allocations of production to that Product/Disposition. Report any new or additional Products or Dispositions with the appropriate Allocation of production. Make corrections or additions as necessary to report a complete allocation of all quantities produced from the Accounting Unit for the Production Month revised.

**C. NET-PROFIT-SHARE LEASE ACCOUNT (AC FORM) REPORTING REQUIREMENTS:**

The Net-Profit-Share Lease Account Report (AC Form) includes revenue and cost activity for the NPSL in total. The AC Form contains three sections corresponding to the three NPSL accounts for which data is reported. The three accounts are the:

Development Account (DV),

Net Profit Payment Account (NP), and

Production Revenue Account (PR).

The “Development Account” portion of the AC Form contains data on development cost beginning balances, costs for exploration, construction, rents, licenses, drilling and development related expenses. The “Net-Profit Payment Account” portion contains data on the net profit rate for the lease and the amount of the net profit payment that is due. The “Production Revenue Account” portion contains data on production revenue, taxes, credits and administrative and operating costs as they affect production revenue balances. Reporting on the AC Form includes breakouts of items that are unique to the entire lease and those items that are specific to an “Accounting Unit.”

**Accounting Unit:**

An "Accounting Unit" is any “Lease Operation,” “Tract Operation,” or “Participating Area” that constitutes a single production, financial and reporting entity. DO&G assigns “Accounting Unit” designations for any operation from which a petroleum product is produced for any length of time. DO&G identifies “Accounting Units” as “Active” or “Inactive” based on whether a lessee produces or has produced oil, gas, or associated substances from the “Accounting Unit.” DO&G considers “Accounting Units” with intermittent production in “Active Status” even during periods of no production. Once an “Accounting Unit” becomes “Active” it remains “Active” until the “Accounting Unit” is “Abandoned.”

Report all royalty Quantities with their associated Values and Amounts by their unique groupings of Product/Disposition/Lease Type/Selling Arrangement combinations. When Product-Disposition-Lease Type combinations are valued under different valuation methods (Selling Arrangements), for example, when the same Product/Disposition/Lease Type is sold under multiple contracts, details of Quantity, Value, and Amount must be reported for each contracted sale. Information must be sufficient to clearly describe how to derive the total royalty amount paid.

**Data Formats:**

Report Rates and Amounts as follows:

1. Rates must not be larger than 100%. Report all “Rates” to the fifth decimal place as a percentage by rounding the fifth decimal up one if the sixth decimal is five or higher.

For example:

A rate of 3% should be formatted as a percent to show 3.00000%

A rate of 16.6% should be formatted as a percent to show 16.60000%

1. All negative numbers must be preceded by a minus (-) sign.

c. Report all amounts to the nearest U.S. cent.

Report dates in exactly the format Month-Day-Year as “MM/DD/YYYY.”

**D. NET-PROFIT-SHARE LEASE PETROLEUM PRODUCTION TAX LEASE ALLOWANCE REPORT (PT FORM) REPORTING REQUIREMENTS:**

The Net-Profit-Share Lease Production Tax Lease Allowance Report (PT Form) includes production allowance and credit calculations used in conjunction with the Net-Profit-Share Lease Account Report (AC Form).

The PT Form must be filed beginning with the April 2006 Production Month reporting. It must be filed along with the NPSL Account Report (AC Form) and must also be filed any time a revision is filed on a past Production Month beginning with the April 2006 Production Month forward. Revision numbers must remain in sync with the AC Form once the PT Form is filed.

The PT Form has nine sections or calculations for allowances and credits. These nine sections are:

1. Petroleum Production Tax Lease Allowance Net Revenue Calculation (PTR)
2. Qualified Capital Expenditure Credit Calculation (QCC)
3. Loss Carry Forward Calculation (LCF)
4. Tax Based On Price Index Liability (TBP)
5. Petroleum Production Tax Lease Allowance Before Credits Calculation (PTB)
6. Small Producer Credit (SPC)
7. Petroleum Production Tax Lease Allowance Calculation (PTL)
8. Loss Carry Forward Credit Against Production Revenue Account (LCC)
9. Petroleum Production Tax Development Account Credits (PPC)

**Data Formats:**

Quantities, Rate/Other, and Amounts:

These items are required no matter what electronic format is chosen to submit the report.

Report as follows:

1. Round all “Oil” (BBL), “Gas” (MCF), or other quantities to the second decimal place (round 2nd decimal up one if the 3rd decimal is five or higher) or per valid applicable agreement with the State.
2. Report all “Values” to the fifth decimal place rounding the fifth decimal up one if the sixth decimal is five or higher.
3. Rates must not be larger than 100%. Report all “Rates” to the fifth decimal place as a percentage by rounding the fifth decimal up one if the sixth decimal is five or higher.

For example:

A rate of 3% should be formatted as a percent to show 3.00000%

A rate of 16.6% should be formatted as a percent to show 16.60000%

1. All negative numbers must be preceded by a minus (-) sign.
2. Report all “Amounts” to the nearest U.S. cent.

Dates:

Report dates in exactly the following format.

Report Month-Day-Year formats as “MM/DD/YYYY.”

**E. ROYALTY OR NET PROFIT SHARE LEASE (NPSL) PAYMENT SUMMARY REPORT (S1 FORM) REPORTING REQUIREMENTS:**

A lessee must file a Royalty or Net Profit Share Lease (NPSL) Payment Summary Report (S1 form) whenever a lessee makes a payment to the State of Alaska for oil and gas royalties or net profit share payments. Report payment summary information on the S1 Form as described in detail in the S1 Form Instructions. A copy of a blank form is included in those instructions. The information and the codes used may vary from one lessee to another because the information requirements vary according to products and operational activities within each Lease. The example found in those instructions is a generic example for a S1 Form and is not a definitive example for every lessee in every Lease.

A S1 Form must be filed for each payment made by a lessee. For example, if a lessee pays with a single payment for all Leases that they participate in for the Current-Production-Month, a single S1 Form must be filed with that payment. If a lessee chooses to make separate payments for each Lease they participate in during a Current-Production-Month, a separate S1 form must be filed for each payment the lessee makes.

Payments must be paid and reported as follows:

1. Report all negative numbers by preceding them with a minus (-) sign.
2. Make payment amounts to the nearest U.S. cent.
3. Report dates in exactly the following format.

Report Month-Day-Year formats as ‘mm/dd/yyyy’.

**F. NPSL SUPPLEMENTAL REPORTS**

Lessees must file supplemental report data electronically whenever possible. The following supplemental information should be included with your NPSL Report:

NPSL Report Filings:

1. Copies of sales invoices should be attached to support values and amounts reported for any Product sold or removed from the Lease through lessee contracts with specific purchasers.
2. Data to support the lessees value calculation in accordance with lessee’s lease, settlement, or other agreements. Supporting documentation may include, but are not limited to such items as market basket calculations, posted prices, quality adjustments, tariffs, marine costs, etc.

Payment Summary Filings:

1) Any information or Reports needed to support the electronic fund transfer, federal wire transfer, or check payment.

Lessees may obtain specific instructions or directions from the DO&G if they are uncertain as to what to include.

**G. NPSL REPORT FILING DEADLINE:**

The NPSL Report Filing is due in accordance with regulation, 11 AAC 83.245

**H. PAYMENT REQUIREMENTS AND DEADLINE:**

These NPSL Reporting Instructions describe how to provide supporting documentation for lessee payments for NPSL reports. In addition, these instructions include the specific procedures for making NPSL payments. Procedures for submitting NPSL Report filings and procedures for making electronic payments are two distinct processes. Lessees must take extra care in following the correct procedure for either submitting NPSL Report filings or making payments as the case may be.

All payments must be submitted electronically using Automatic Clearing House (ACH), Wire Transfer Payment procedures or by check. All ACH payments must be in CCD+ format with an addenda record reporting the Control Number described in the Electronic Payment Instructions.

Notification of a payment must be faxed to the Department of Revenue, Treasury Division two business days (48 hours) prior to the time you plan to make payment. A copy of the notification and more detailed instructions are the Electronic Payment Instructions.

Questions or phone contact with the Treasury Division concerning specific payment transactions can be directed to:

State of Alaska

Department of Revenue, Treasury Division

Cash Management

P.O. Box 110406

Juneau, AK 99811-0406

Telephone: (907) 465-2360

Fax: (907) 465-4019

**I. ADMINISTRATIVE FEES:**

DO&G may assess an Administrative Fee of $75.00 per day for each lessee with an incomplete or missing report required for a NPLS Report filing, as noted on page I-1 of these instructions, in accordance with regulation 11 AAC 83.245(h).

**Report Definition:**

A report for purposes of charging the Administrative Fee is any one of the following:

 Volume Value Report (VV Form): By Accounting Unit and Production Month

 Account Report (AC Form): By Lease Number and Production Month

 Petroleum Production Tax Lease Allowance Report (PT Form): By Lease and Production Month

 NPSL Payment Summary Report – Per Payment

 Volume Value Report (VV Form): By Accounting Unit (Revision) and Production Month

 Account Report (AC Form): By Lease Number (Revision) and Production Month

Royalty or net profit share lease (NPSL Form) Payment Summary Report – Per Payment (Revision)

Supplemental Reports - Are considered, as a set or group of reports required of a lessee, to be one report per month (or quarter or year as applicable) even when the set of reports may apply to more than one Lease that a lessee is required to report. Supplemental Reports may be attachments to the NPSL Reports. Not all lessees are required to file supplemental reports.

**Missing or Incomplete Definition:**

A report not filed by the due date is defined as missing until it is filed.

A report that does not contain required data is defined as incomplete until all missing data have been filed. The missing data must have been previously identified in writing as required.

**Fee Assessment:**

The DO&G will notify the lessee by fax, email or letter of missing or incomplete reports.

For a set of original NPSL reports, the Administrative Fee begins accruing on the first day after the division provides notice to the lessee that the administrative fee will begin to accrue, provided the day of notification occurs on the last business day of the month, or later, for the current production month. If the notification is sent before the day the report is due, the fee will not be assessed until the day after the due date of the report.

For a set of revised NPSL reports, resulting from settlements, lease administrative actions, or NPSL accounting reconciliation, the Administrative Fee begins accruing on the 31st day after the division provides notice to the lessee that a revision must be submitted not later than 30 days after the notice.

For not making an NPSL payment when due, the Administrative Fee begins to accrue on the first day after the division provides notice to the lessee that the administrative fee will begin to accrue.

Fax notification with confirmation or Email notification with confirmation will be deemed as notified in writing.

If more than one report per Lease per production month is missing or incomplete, only one Administrative Fee of $75.00 per day is charged for a Lease until all incomplete or missing reports are completed and filed for the affected lease.

**Fee Invoicing:**

Fees will be invoiced once a month for the period of the 16th of the previous month through the 15th of the current month for all reports that was missing or incomplete for any days within the invoicing period. The $75.00 Administrative Fee will continue to accrue for the Leases with missing reports or incomplete data until the missing or incomplete reports are filed. Each invoice will contain an invoice date that must be reported on the S1 Form when reporting and making payment for invoiced Administrative Fees.

**Examples:**

1. Reports Filed:

July Production Month

September Report Month

September 30th July Production Month reports are due.

September 27th The lessee files the reports. One report is found to be missing.

September 28th The lessee is notified of the missing report.

September 30th The lessee files the missing report.

Fee Summary:

No Administrative Fee is charged.

Total charge $0.00.

2. Reports Filed:

July Production Month

September Report Month

September 30th July Production Month reports are due.

September 30th The lessee files the reports. For Lease A, one report is found to be missing.

October 3rd The lessee is notified of the reporting deficiency.

October 3rd The lessee completes and files the missing report.

 Fee Summary:

A charge of $0.00 day is assessed against the lessee.

Total charge $0.00.

3. Reports Filed:

July Production Month

September Report Month

September 30th July Production Month reports are due.

September 30th The lessee files the reports. One report is found to be missing for Lease A.

October 3rd The lessee is notified of the reporting deficiencies.

October 4th The fee assessment begins at $75.00 per day for the missing report. The lessee completes and files the missing report for Lease A.

 Fee Summary:

A charge of $75.00 per day for Lease A is assessed against the lessee for the missing report for the 4th. ($75.00)

Total charge $75.00.

4. Reports Filed:

July Production Month

September Report Month

September 30th July Production Month reports are due.

September 30th The lessee files the reports. One original report for Lease A, for July Production Month, is missing and another report for Lease B, for June Production Month, is incomplete because of missing data.

October 1st The lessee is notified of the reporting deficiencies.

October 2nd The fee assessment begins at $75.00 per day, for Lease A, for July Production Month, for the missing report noticed on October 1st.

October 4th The lessee files the missing report for Lease A July production month.

November 1st The fee assessment begins at $75.00 per day for Lease B for the incomplete report noticed on October 1st.

November 5th The lessee completes and files the incomplete report for Lease B, noticed on October 1th,.

Fee Summary:

A charge of $75.00 per day is assessed against the lessee for Lease A, from October 2th through October 4th for the missing July production month Lease A report noticed on October 1st and filed on October 4th. ($225.00)

A charge of $75.00 per day is assessed against the lessee for Lease B for the incomplete report noticed on October 1st and filed on November 5th from November 1nd through November 5th. ($375.00)

Total charge $600.00.