**SECTION I. ROYALTY 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) Royalty Report 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 Royalty Report filing standardizes oil and gas royalty reporting and payments for all lessees. A complete Royalty Report filing consists of all the following parts as applicable to each Accounting Unit:

1. Current-Production-Month Reporting:

1. a. Royalty Operator Report: O1 Form
2. ‘Oil Report’, and/or
3. ‘Gas Report’

b. Royalty Valuation Report: A1 Form

1. i. ‘Oil Report’, and/or
2. ii. ‘Gas Report’

 c. Royalty or NPSL Payment Summary Report: S1 Form

 d. Royalty 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. Royalty Payment(s):
2. Payment as a lump sum for all ‘Oil Report’ and ‘Gas Report’ royalties, or as segregated payments by Product Groups, or segregated payments by Accounting Units.

Information for the reports listed in one and two above must be organized by Product Groups as described in other royalty accounting instructions. Report Oil and NGL Product Groups production data on the ‘Oil Report’ Royalty Operator Report and/or report Gas Products Group data on the ‘Gas Report’ Royalty Operator Report. Report Oil and NGL Products Groups royalty valuation data on the ‘Oil Report’ Royalty Valuation Report and/or report Gas Products Group data on the ‘Gas Report’ Royalty Valuation Report. Cross-reference Royalty Valuation and Royalty or NPSL Payment Summary Reports with Royalty 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 Accounting Unit in which they have lease ownership. An "Accounting Unit" is any Lease or Tract Operation, or Participating Area that constitutes a single production, financial and reporting entity. DO&G assigns Accounting Units for any Lease or Tract Operation, or Participating Area 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’.

A single lessee may file and pay for all lessees in an Accounting Unit. However, all lessees in the Accounting Unit 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 royalty obligation on each of their leases has been met, regardless of any operating or payment agreements in effect.

‘Oil Report’ and ‘Gas Report’ Royalty Reports will be filed electronically and consist of real numbers and not 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).

All Royalty Operator, Royalty Valuation, or Royalty or NPSL Payment Summary reports are filed electronically.

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 will assess an Administrative Fee of $75.00 per day for each Accounting Unit with incomplete reports or missing reports required for a Royalty Report filing in accordance with regulation AAC 04.080.

**B. ROYALTY OPERATOR REPORT (O1 FORM) REPORTING REQUIREMENTS:**

A Royalty Operator Report must be filed monthly by the lessee who is designated the operator of an active Accounting Unit. If the operator of an Accounting Unit is not a lessee but instead is a third party hired to operate the Accounting Unit, then the lessees in the Accounting Unit must designate in writing one of the participating lessees to file the Royalty Operator Report. In the event the designated operator report filer does not file the required report(s), each lessee is responsible for filing the required report(s).

Report royalty operator information for all active Accounting Units, based on the lease agreement requirements to report all production from a lease, on a Royalty Operator Report (O1 Form) described in detail in the Royalty Operator Report Instructions. A copy of a blank O1 Form is included in those instructions. The information and the codes used may vary from one Accounting Unit to another because information requirements vary according to products and operational activities within each Accounting Unit. The example in those instructions is a generic example and is not a definitive example for every lessee in every Accounting Unit.

Royalty Operator Reports must be filed monthly for each active Accounting Unit. A report must be filed even during periods when the quantity produced, royalty due, or royalty paid is zero. Continue filing a Royalty Operator Report for each active Accounting Unit until the Accounting Unit is abandoned. Report Oil and NGL Product Groups production data on the ‘Oil report’ Royalty Operator Report and/or report Gas Products Group data on the ‘Gas Report’ Royalty Operator Report.

A Royalty Operator Report includes data about the Quantity, Disposition, and the Allocation of production to the lessees in an Accounting Unit. Operators, who distribute production to sales points for a lessee participating in the Accounting Unit, must cross-reference the allocation of production Quantity to the sales points using a Selling Arrangement(s) code assigned by the DO&G.

The operator must also report:

1. The allocation of Offtake from the Accounting Unit to each lessor. For example, when two or more lessors own the land, such as State, Federal and Private owners, the Offtake quantity must be allocated to each land owner according to their entitlement;

1. The lessee Offtake entitlement imbalance information, including Current-Production-Month Offtake entitlement over/underlifts, the previous accumulated Offtake entitlement imbalance totals, and the ending accumulated Offtake entitlement imbalance totals; and,
2. Imbalances for production held in inventory or reinjected gas reserves. The oil inventory or reinjected gas reserve balances should include; Current-Production-Month production reserve/inventory entitlement allocations, previous accumulated allocated reserve/inventory entitlement totals, and the ending accumulated reserve/inventory entitlement balance totals.

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 Royalty Operator Reports 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. ROYALTY VALUATION REPORT (A1 FORM) REPORTING REQUIREMENTS:**

A Royalty Valuation Report must be filed monthly by lessees who own leases in active Accounting Units that produced royalty bearing volumes. A lessee reports royalty information for all active Accounting Units on a Royalty Valuation Report (A1 Form) described in detail in the Royalty Valuation Report Instructions. A blank copy of the paper form is included in those instructions. The information and the codes used may vary 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 Accounting Unit. The example found in those instructions is a generic example of a Royalty Valuation Report and is not a definitive example for every lessee in every Accounting Unit.

File a Royalty Valuation Report monthly for each active Accounting Unit in which a lessee owns leases that produced royalty-bearing quantities. Continue filing a Royalty Valuation Report for each active Accounting Unit that produces royalty-bearing volumes until the Accounting Unit is abandoned. Report Oil and NGL Products Groups royalty valuation data on the ‘Oil Report’ Royalty Valuation Report and/or report Gas Products Group data on the ‘Gas Report’ Royalty Valuation Report.

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.

Report Quantities, Values, and Amounts must be reported as follows:

1. Round all ‘Oil Report’ (BLS), ‘Gas Report’ (MCF), or other quantities on the Royalty Valuation Report 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 (round fifth decimal up one if the sixth decimal is five or higher) or according to other valid applicable contractual agreements. For example, tax reimbursements may require up to eight or nine decimal places to report the fractional value per unit of quantity.
3. Report all negative numbers by preceding them with a minus (-) sign.
4. Report all amounts to the nearest U.S. cent.

Report dates in exactly the following format.

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

**D. ROYALTY OR NPSL PAYMENT SUMMARY REPORT (S1 Form) REPORTING REQUIREMENTS:**

A lessee must file a Royalty or NPSL Payment Summary Report (S1 Form) whenever a lessee makes a payment to the State of Alaska for oil and gas royalties and net profit share payments. Report payment summary information on a Royalty or NPSL Payment Summary Report (S1 Form) as described in detail in the Royalty or NPSL Payment Summary Report 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 Accounting Unit. The example found in those instructions is a generic example of a Royalty or NPSL Payment Summary Report and is not a definitive example for every lessee in every Accounting Unit.

A Royalty or NPSL Payment Summary Report must be filed for each payment made by a lessee. For example, if a lessee pays royalties with a single payment for all Accounting Units that they participate in for the Current-Production-Month, a Royalty or NPSL Payment Summary Report (S1 Form) must be filed with that payment. If a lessee chooses to make separate payments for each Accounting Unit they participate in during a Current-Production-Month, a separate Royalty or NPSL Payment Summary Report must be filed for each payment the lessee makes.

Royalty payments must be paid and reported by the following Royalty or NPSL Payment Summary Categories as described in detail in the Royalty or NPSL Payment Summary Report Instructions.

 Oil Product Group and NGL Product Group as an ‘Oil Report’

 Gas Product Group as a ‘Gas Report’

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’.

**E. ROYALTY SUPPLEMENTAL REPORTS**

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

Operator Report Filings:

1. Lease owners or their designated 'Operator' must submit meter run tickets, or equivalents as approved by DO&G, and supporting reports for the gross production, net production, and all dispositions to individual lessees. Lease owners or their designated 'Operator' must also report sales point deliveries when the operator makes those deliveries on behalf of lessees in the Accounting Unit.

Royalty Report Filings:

1. Copies of sales invoices should be attached to support values and amounts reported for any Product sold or removed from the Accounting Unit 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.

**F. ROYALTY REPORT FILING DEADLINE:**

The Royalty Report Filing is due in accordance with regulation, 11AAC 04.040.

**G. PAYMENT REQUIREMENTS AND DEADLINE:**

These Royalty Reporting Instructions describe how to provide supporting documentation for lessee payments for ‘Oil Report’ and ‘Gas Report’ royalty payments. In addition, these instructions include the specific procedures for making payments for ‘Oil Report’ and ‘Gas Report’ royalties. Procedures for submitting Royalty Report filings and procedures for making electronic payments of royalties are two distinct processes. Lessees must take extra care in following the correct procedure for either submitting Royalty 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

**H. ADMINISTRATIVE FEES:**

DO&G will assess an Administrative Fee of $75.00 per day for each Accounting Unit with an incomplete or missing report required for a Royalty Report filing, as noted on page I-1 of these instructions, in accordance with regulation AAC 04.080.

**Report Definition:**

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

 Royalty Operator Report – By Accounting Unit and Production Month

 Royalty Valuation Report – By Accounting Unit and Production Month

 Royalty or NPSL Payment Summary Report – Per Payment

 Royalty Operator Report – By Accounting Unit (Revision) and Production Month

 Royalty Valuation Report – By Accounting Unit (Revision) and Production Month

 Royalty or NPSL 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 Accounting Unit that a lessee is required to report. Supplemental Reports may be attachments to either the Royalty Operator Report or the Royalty Valuation Report. 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.

The Administrative Fee begins accruing on the calendar day after the lessee is notified of a missing or incomplete report, 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.

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

If more than one report per Accounting Unit is missing or incomplete, an Administrative Fee of $75.00 per day is charged for the Accounting Unit until all incomplete reports are completed and filed and all missing reports are filed for the affected Accounting Unit.

**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 Accounting Units 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 Royalty or NPSL Payment Summary Report when reporting and making payment for invoiced Administrative Fees.

**Examples:**

1. Reports Filed:

August Production Month

September Report Month

September 30th August Production Month reports are due.

September 27th The lessee files the reports and staff processes 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:

August Production Month

September Report Month

September 30th August Production Month reports are due.

October 3rd Reports are process by DO&G staff. For one Accounting Unit, one report is found to be missing and another report is incomplete because of missing data.

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

October 3rd The lessee completes the missing report, corrects the incomplete report, and files both reports.

 Fee Summary:

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

Total charge $0.00.

1. Reports Filed:

August Production Month

September Report Month

September 30th August Production Month reports are due.

October 3rd Reports are processed by DO&G staff. One report is found to be missing for Accounting Unit A and another report is incomplete for Accounting Unit B because of missing data.

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

October 4th The fee assessment begins at $75.00 per day, for Production Month of August, for each Accounting Unit having either the missing or incomplete reports.

October 4th The lessee completes the missing report for Accounting Unit A and files that report.

October 5th The lessee completes the incomplete report for Accounting Unit B and files that report.

 Fee Summary:

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

A charge of $75.00 per day for Accounting Unit B is assessed against the lessee for the incomplete report for the 4th and 5th. ($150.00)

Total charge $225.00.

4. Reports Filed:

August Production Month

September Report Month

September 30th August Production Month reports are due.

October 3rd Reports are process by DO&G staff. One report is found to be missing for Accounting Unit A and another report is incomplete because of missing data for Accounting Unit B.

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

October 4th The fee assessment begins at $75.00 per day for each Accounting Unit with the missing or incomplete reports.

October 4th The lessee is notified of an incomplete report for Accounting Unit A in addition to the earlier notifications.

October 4th The lessee completes all incomplete and missing reports and files them.

 Fee Summary:

A charge of $75.00 per day is assessed against the lessee for Accounting Unit A for the 4th for the incomplete report noticed on October 3rd and filed on October 4th. ($75.00)

A charge of $75.00 per day is assessed against the lessee for the 4th for Accounting Unit B for the incomplete report noticed on October 3rd and filed on October 4th. ($75.00)

A charge of $0.00 per day is assessed against the lessee for the incomplete report noticed on October 4th for Accounting Unit A and filed on October 4th.

Total charge $150.00.

5. Reports Filed:

August Production Month

September Report Month

September 30th August Production Month reports are due.

October 3rd Reports are processed by DO&G staff. One report for Accounting Unit A, August Production Month, is found to be missing and another report for Accounting Unit B, August Production Month, is incomplete because of missing data.

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

October 4th The fee assessment begins at $75.00 per day, for each Accounting Unit, for August Production Month, with missing or incomplete reports noticed on October 3rd.

October 4th The lessee is notified of another incomplete report for Accounting Unit B, August Production Month, in addition to the earlier notifications.

September Production Month

October Report Month

October 31st September Production Month reports are due.

October 4th The lessee completes the incomplete report for Accounting Unit A and the missing reports noticed on October 3rd for Accounting Unit B and files them.

October 31st The lessee is notified that his filing in October for Accounting Unit A for September Production Month, has a missing report.

November 1st The fee assessment begins at $75.00 per day for the report noticed on October 31st.

November 2nd The lessee completes the missing report for Accounting Unit A, for September Production Month, noticed on October 31st and files it.

November 5th The lessee completes the incomplete report for Accounting Unit B, noticed on October 4th, and files it.

 Fee Summary:

A charge of $75.00 per day is assessed against the lessee for Accounting Unit A, for October 4th for the incomplete report noticed on October 3rd and filed on October 4th. ($75.00)

A charge of $75.00 per day is assessed against the lessee for Accounting Unit B for October 4th for the incomplete report noticed on October 3rd and filed on October 4th. ($75.00)

A charge of $75.00 per day is assessed against the lessee for Accounting Unit B, for the incomplete report noticed on October 4th and filed on November 5th. ($75.00 x 31 = $2,325.00) (October 5th through November 5th)

A charge of $75.00 per day is assessed against the lessee for the missing report for Accounting Unit A, September Production Month that was noticed on October 31st and filed on November 2nd. ($150.00)

Total charge $2,625.00.