

# **SECTION I. NPSL REPORTING REQUIREMENTS OVERVIEW**

## **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 schedules 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/Royalty/ReportingInstructions.htm>.

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:
  - a. NPSL Volume Value Report : VV Report
  - b. NPSL Account Report: AC Report
  - c. NPSL Petroleum Production Tax Lease Allowance Report: PT Report
  - d. NPSL Payment Summary Report: S1 Report
  - 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.
3. NPSL Payment(s):
  - a. Payment as a lump sum for all NPSL leases.

Information for the VV report 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 Report. Cross-reference NPSL Payment Summary Reports with AC Payments using a Control Number as described in your **myAlaska** site.

Contact the Royalty Accounting Section at 269-8800 or via email at [DNROGRoyaltyFiling@alaska.gov](mailto:DNROGRoyaltyFiling@alaska.gov) and request your **myAlaska** user logon and password. Do not set up a **myAlaska** account on your own. All new **myAlaska** accounts for the purposes of conducting business with DO&G must be prescreened and set up by DO&G. Royalty payments and corresponding Royalty and 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 schedules 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 not have formulas. Electronically filed reports must follow the guidelines set forth in the Electronic Filing Instructions.

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 lease with incomplete reports or missing reports required for a NPSL Report filing in accordance with regulation 11 AAC 04.080.

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

The Net-Profit-Share Volume/Value (VV) Report 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 report 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 Report must be filed for each "Accounting Unit" in which the lease is included.

The information and the codes used on a VV Report 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 Reports 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 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. NET-PROFIT-SHARE LEASE ACCOUNT (AC) REPORTING REQUIREMENTS:**

The Net-Profit-Share Lease Account (AC) Report includes revenue and cost activity for the NPSL in total. The AC Report 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 Report 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 Report 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:

- a. 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%

- b. 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) REPORTING REQUIREMENTS:**

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

The PT Report must be filed beginning with the April 2006 Production Month reporting. It must be filed along with the NPSL Account (AC) Report 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 Report once the PT Report is filed.

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

- A. Petroleum Production Tax Lease Allowance Net Revenue Calculation (PTR)
- B. Qualified Capital Expenditure Credit Calculation (QCC)
- C. Loss Carry Forward Calculation (LCF)
- D. Tax Based On Price Index Liability (TBP)
- E. Petroleum Production Tax Lease Allowance Before Credits Calculation (PTB)
- F. Small Producer Credit (SPC)
- G. Petroleum Production Tax Lease Allowance Calculation (PTL)
- H. Loss Carry Forward Credit Against Production Revenue Account (LCC)
- I. 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:

- c. 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.
- d. Report all "Values" to the fifth decimal place rounding the fifth decimal up one if the sixth decimal is five or higher.
- e. 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%

- f. All negative numbers must be preceded by a minus (-) sign.
- g. 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. NPSL PAYMENT SUMMARY REPORT (S1) REPORTING REQUIREMENTS:**

A lessee must file a NPSL Payment Summary Report (S1) 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 NPSL S1 Report as described in detail in the Royalty / 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 Lease. The example found in those instructions is a generic example of a Royalty and NPSL Payment Summary Report and is not a definitive example for every lessee in every Lease.

A NPSL Payment Summary Report 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 NPSL S1 Report 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 NPSL Payment Summary Report 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. ROYALTY 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 schedules 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. NPSL REPORT FILING DEADLINE:**

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

**G. NPSL REPORT FILING ADDRESS**

Each lessee will become a designated electronic reporter when a joint State Electronic Commerce Agreement is completed and signed by both parties. The Electronic Commerce Agreement will specify the requirements, understandings, and formats to which the State and the lessee agree to process an electronic Royalty Report filing with DO&G.

In the absence of a signed Electronic Commerce Agreement, fax the paper Royalty Report filing to:

907-269-8939  
State of Alaska  
Department of Natural Resources  
Division of Oil and Gas  
ATTN: Royalty Accounting

Mail a signed original to:

State of Alaska  
Department of Natural Resources  
Division of Oil and Gas  
ATTN: Royalty Accounting  
550 West 7<sup>th</sup> Avenue, Suite 800  
Anchorage, Alaska 99501-3560

## 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) payment procedures. 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:

Bronze Ickes  
State of Alaska  
Department of Revenue, Treasury Division  
P.O. Box 110406  
Juneau, AK 99811-0406

Telephone: (907) 465-2363  
Fax: (907) 465-4019

## I. ADMINISTRATIVE FEES:

DO&G will 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 04.080.

### Report Definition:

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

Volume Value Report: VV – By Accounting Unit and Production Month

Account Report: AC – By Lease Number and Production Month

Petroleum Production Tax Lease Allowance Report: PT - By Lease and Production Month

NPSL Payment Summary Report – Per Payment

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

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

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 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.

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 Lease is missing or incomplete, an Administrative Fee of \$75.00 per day is charged for the Lease until all incomplete reports are completed and filed and all missing reports are filed for the affected Accounting Unit.

**Fee Assessment for Electronic Commerce Agreement (ECA):**

The deadline for compliance and signature to an ECA was August 31, 1999. A lessee must have a signed ECA by August 31, 1999 or be charged an Administrative Fee of \$75.00 per day for non-compliance with the regulations, unless the Director of DO&G agrees to waive the fee for good cause.

**Fee Invoicing:**

Fees will be invoiced once a month for the period of the 16<sup>th</sup> of the previous month through the 15<sup>th</sup> 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 NPSL Payment Summary when reporting and making payment for invoiced Administrative Fees. Interest will be charged on administrative fees that are invoiced and not paid by the invoice due date at the rate established by AS 38.05.135 (d) beginning on the invoice due date.

**Examples:**

- 1.     Reports Filed:  
      July                   Production Month  
      September           Report Month  
      September 30<sup>th</sup>      July Production Month reports are due.  
      September 27<sup>th</sup>      The lessee files the reports and staff processes the reports. One report is found to be missing.  
  
      September 28<sup>th</sup>      The lessee is notified of the missing report.  
      September 30<sup>th</sup>      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 30<sup>th</sup>      July Production Month reports are due.  
      October 3<sup>rd</sup>          Reports are processed by DO&G staff. For one Lease, one report is found to be missing and another report is incomplete because of missing data.  
  
      October 3<sup>rd</sup>          The lessee is notified of the reporting deficiencies.  
      October 3<sup>rd</sup>          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.

3. Reports Filed:

July	Production Month
September	Report Month
September 30 <sup>th</sup>	July Production Month reports are due.
October 3 <sup>rd</sup>	Reports are processed by DO&G staff. One report is found to be missing for Lease A and another report is incomplete for Lease B because of missing data.
October 3 <sup>rd</sup>	The lessee is notified of the reporting deficiencies.
October 4 <sup>th</sup>	The fee assessment begins at \$75.00 per day, for Production Month of July, for each Lease having either the missing or incomplete reports.
October 4 <sup>th</sup>	The lessee completes the missing report for Lease A and files that report.
October 5 <sup>th</sup>	The lessee completes the incomplete report for Lease B and files that report.

Fee Summary:

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

A charge of \$75.00 per day for Lease B is assessed against the lessee for the incomplete report for the 4<sup>th</sup> and 5<sup>th</sup>. (\$150.00)

Total charge \$225.00.

4. Reports Filed:

July	Production Month
September	Report Month
September 30 <sup>th</sup>	July Production Month reports are due.
October 3 <sup>rd</sup>	Reports are process by DO&G staff. One report is found to be missing for Lease A and another report is incomplete because of missing data for Lease B.
October 3 <sup>rd</sup>	The lessee is notified of the reporting deficiencies.
October 4 <sup>th</sup>	The fee assessment begins at \$75.00 per day for each Lease with the missing or incomplete reports.
October 4 <sup>th</sup>	The lessee is notified of an incomplete report for Lease A in addition to the earlier notifications.
October 4 <sup>th</sup>	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 Lease A for the 4<sup>th</sup> for the incomplete report noticed on October 3<sup>rd</sup> and filed on October 4<sup>th</sup>. (\$75.00)

A charge of \$75.00 per day is assessed against the lessee for the 4<sup>th</sup> for Lease B for the incomplete report noticed on October 3<sup>rd</sup> and filed on October 4<sup>th</sup>. (\$75.00)

A charge of \$0.00 per day is assessed against the lessee for the incomplete report noticed on October 4<sup>th</sup> for Lease A and filed on October 4<sup>th</sup>.

Total charge \$150.00.

5. Reports Filed:

July	Production Month
September	Report Month
September 30 <sup>th</sup>	July Production Month reports are due.
October 3 <sup>rd</sup>	Reports are processed by DO&G staff. One report for Lease A, July Production Month, is found to be missing and another report for Lease B, July Production Month, is incomplete because of missing data.
October 3 <sup>rd</sup>	The lessee is notified of the reporting deficiencies.
October 4 <sup>th</sup>	The fee assessment begins at \$75.00 per day, for each Lease, for July Production Month, with missing or incomplete reports noticed on October 3 <sup>rd</sup> .
October 4 <sup>th</sup>	The lessee is notified of another incomplete report for Lease B, July Production Month, in addition to the earlier notifications.
September	Production Month
October	Report Month
October 31 <sup>st</sup>	September Production Month reports are due.
October 4 <sup>th</sup>	The lessee completes the incomplete report for Lease A and the missing reports noticed on October 3 <sup>rd</sup> for Lease B and files them.
October 31 <sup>st</sup>	The lessee is notified that his filing in October for Lease A for September Production Month, has a missing report.
November 1 <sup>st</sup>	The fee assessment begins at \$75.00 per day for the report noticed on October 31 <sup>st</sup> .
November 2 <sup>nd</sup>	The lessee completes the missing report for Lease A, for September Production Month, noticed on October 31 <sup>st</sup> and files it.
November 5 <sup>th</sup>	The lessee completes the incomplete report for Lease B, noticed on October 4 <sup>th</sup> , and files it.

Fee Summary:

A charge of \$75.00 per day is assessed against the lessee for Lease A, for October 4<sup>th</sup> for the incomplete report noticed on October 3<sup>rd</sup> and filed on October 4<sup>th</sup>. (\$75.00)

A charge of \$75.00 per day is assessed against the lessee for Lease B for October 4<sup>th</sup> for the incomplete report noticed on October 3<sup>rd</sup> and filed on October 4<sup>th</sup>. (\$75.00)

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

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

Total charge \$2,625.00.