



July 12, 2019

**NOTICE OF PROPOSED CHANGES ON OIL AND GAS LEASING  
IN THE REGULATIONS OF THE DEPARTMENT OF NATURAL RESOURCES**

**BRIEF DESCRIPTION**

The Department of Natural Resources (DNR) proposes to change regulations concerning payment of oil and gas royalties, rents, and bonuses; mineral leasing practice and procedures, including oil and gas leasing procedures. The proposed changes will facilitate online oil and gas lease sales, provide for electronic submissions to DNR, and address miscellaneous administrative matters associated with mineral lease sale and mineral lease administration.

DNR proposes to adopt regulation changes in 11 AAC Ch. 4, Ch. 5, Ch. 82, Ch. 83, and Ch. 88 of the Alaska Administrative Code (AAC), dealing with payment methods, bidding methods, requirements for bid submission, requirements for applications, rental provisions, and definitions regarding mineral leasing, including the following:

- (1) **11 AAC 04.010 Applicability** is proposed to be changed as follows: the proposed amendment will limit the applicability of this chapter to royalty payments.
- (2) **11 AAC 04.020 Designated payor** is proposed to be changed as follows: the proposed amendment will limit the applicability of this chapter to royalty payments.
- (3) **11 AAC 04.030 Timing of payments** is proposed to be changed as follows: the proposed amendment will limit the applicability of this chapter to royalty payments.
- (4) **11 AAC 04.040 Supporting documentation for payments** is proposed to be changed as follows: the proposed amendment will limit the applicability of this chapter to royalty payments.
- (5) **11 ACC 04.050 Methods of payment; payment application** is proposed to be repealed and readopted: the proposed repeal and re-adoption limits the applicability of this chapter to royalty payments.
- (6) **11 AAC 04.060 Refunds and credits** is proposed to be changed as follows: the proposed amendment limits the applicability of this chapter to royalty payments.
- (7) **11 AAC 05.110 Leasable minerals, including coal, phosphates, oil shale, sodium, sulphur, potassium, oil and gas, and geothermal** is proposed to be changed as follows: to amend the fee for a transfer of interest.
- (8) **11 AAC 82.205 Statement of qualifications** is proposed to be changed as follows: the proposed amendment specifies timing of changes to material previously filed with the department.

- (9) **11 AAC 82.400 Parcels offered for competitive lease** is proposed to be changed as follows: the proposed amendment allows the commissioner to defer or remove any tract from a sale prior to lease issuance.
- (10) **11 AAC 82.405 Method of bidding** is proposed to be changed as follows: the proposed amendment allows the commissioner to offer leases through online bidding.
- (11) **11 AAC 82.420 Bid form** is proposed to be changed as follows: the proposed amendment requires the bid form to be supplied or approved by the department.
- (12) **11 AAC 82.423 Bid service charges** is proposed to be added as follows: the proposed addition allows a bidder to compensate a third-party vendor for services if a vendor hosts an online disposal.
- (13) **11 AAC 82.425 Bid deposit** is proposed to be repealed and readopted as follows: the proposed repeal and re-adoption allows a bidder to submit electronic funds to a third-party vendor for bid deposits if a vendor hosts an online disposal.
- (14) **11 AAC 82.430 Joint bids** is proposed to be repealed and readopted as follows: the proposed repeal and re-adoption reformats the paragraphs in this section and require two or more bidders on a joint bid to be qualified in accordance with 11 AAC 82.200-205.
- (15) **11 AAC 82.435 Bids at public auction** is proposed to be changed as follows: the proposed amendment updates administrative code references.
- (16) **11 AAC 82.440 Opening bids, holding auctions** is proposed to be changed as follows: the proposed amendment requires DNR to publicly reveal sealed bids, including bids submitted online through a third-party vendor, and to notice the time and place bids will be revealed.
- (17) **11 AAC 82.450 Rejection of bids** is proposed to be changed as follows: the proposed amendment allows the commissioner to reject any or all bids before a lease is awarded.
- (18) **11 AAC 82.465 Bonus, rental, bond** is proposed to be repealed and readopted as follows: the repeal and re-adoption formats paragraphs in this section, requires the commissioner to notify successful bidders by award notice of the instructions and time period to comply with the award notice, and states a successful bidder will forfeit rights and bid deposit if the bidder does not comply with the award notice.
- (19) **11 AAC 82.466 Rental reduction determination** is proposed to be added as follows: the proposed addition requires a lessee with rental increases during the primary term to apply for rental determination on a department form at least 90 days prior to the lease anniversary date when the rental increases.
- (20) **11 AAC 82.615 Application for approval of assignment** is proposed to be changed as follows: the proposed amendment would require filing in triplicate only if necessary.
- (21) **11 AAC 82.650 Control** is proposed to be changed as follows: the proposed amendment specifies reference for locating protracted section corners.
- (22) **11 AAC 83.110 Rental** is proposed to be repealed and readopted: the repeal and re-adoption directs that lease payments are due in accordance with lease provisions.

- (23) **11 AAC 83.111 Rental payments during an appeal or pending application** is proposed to be added as follows: the proposed addition directs payment on leases that otherwise would have expired but are subject to a pending application or appeal.
- (24) **11 AAC 83.400 Applications** is proposed to be changed as follows: the proposed amendment would require three signed copies of the proposed agreement only if necessary.
- (25) **11 AAC 83.520 Applications for storage leases** is proposed to be changed as follows: the proposed amendment would require three signed copies of the proposed form only if necessary.
- (26) **11 AAC 88.105 Applications** is proposed to be changed as follows: the proposed amendment allows the commissioner to accept applications electronically.
- (27) **11 AAC 88.115 Additional information** is proposed to be changed as follows: the proposed amendment allows the commissioner discretion to request additional information to consider an application.
- (28) **11 AAC 88.130 Timely filing** is proposed to be changed as follows: the proposed amendment specifies when a payment or application is timely filed if filed by electronic means.
- (29) **11 AAC 88.135 Means of filing** is proposed to be changed as follows: the proposed amendment provides filings and payments may be made through an electronic system if available.
- (30) **11 AAC 88.140 Notice** is proposed to be changed as follows: the proposed amendment provides notice must be delivered through trackable mail service.
- (31) **11 AAC 88.145 Refunds** is proposed to be change as follows: the proposed amendment provides no refund will be made for less than \$10.00, notwithstanding any other provisions of 11 AAC 82 – 11 AAC 88.
- (32) **11 AAC 88.185 Definitions** is proposed to be repealed and readopted. The proposed repeal and re-adoption changes definitions for cash, gas, oil, participating area, and unit area. The proposed repeal and re-adoption remove definitions for gas well, oil well, unitized land, unitized substances, and Mineral Leasing Act. The proposed repeal and re-adoption add a definition for notification lessee.

You may comment on the proposed regulation changes, including the potential costs to private persons of complying with the proposed changes, by submitting written comments to Kyle Smith at the Department of Natural Resources, Division of Oil and Gas, 550 W 7<sup>th</sup> Avenue, Suite 1100, Anchorage, Alaska 99501-3563. Additionally, DNR will accept comments by facsimile at (907)269-6587 and by electronic mail at [dog.leasing@alaska.gov](mailto:dog.leasing@alaska.gov). The comments must be received not later than 4:30 pm Alaska Standard Time on August 9, 2019.

You may submit written questions relevant to the proposed action to Kyle Smith at the Department of Natural Resources, Division of Oil and Gas, 550 W 7<sup>th</sup> Avenue, Suite 1100, Anchorage, Alaska 99501-3563. Additionally, DNR will accept written questions by electronic mail at [dog.leasing@alaska.gov](mailto:dog.leasing@alaska.gov). The questions must be received at least 10 days before the end of the public comment period. DNR will aggregate its response to substantially similar questions and make the questions and responses available on the Alaska Online Public Notice System

(<https://aws.state.ak.us/OnlinePublicNotices/>) and the DNR Division of Oil and Gas (<http://dog.dnr.alaska.gov>) websites.

If you are a person with a disability who needs a special accommodation in order to participate in this process, please contact Kyle Smith by electronic mail at [dog.leasing@alaska.gov](mailto:dog.leasing@alaska.gov) or (907)269-8800 not later than August 2, 2019, to ensure that any necessary accommodation can be provided.

An electronic copy of the proposed regulation changes is available on the Alaska Online Public Notice System and the DNR Division of Oil and Gas websites, and by contacting Kyle Smith by electronic mail at [dog.leasing@alaska.gov](mailto:dog.leasing@alaska.gov) or (907)269-8800. A copy proposed regulation changes may be viewed at the agency's office at the Department of Natural Resources, Division of Oil and Gas, 550 W 7th Avenue, Suite 1100, Anchorage, Alaska.

After the public comment period ends on August 9, 2019, DNR will either adopt the proposed regulation changes or other provisions dealing with the same subject, without further notice, or decide to take no action. The language of the final regulation may be different from that of the proposed regulation. You should comment during the time allowed if your interests could be affected. Written comments received are public records and are subject to public inspection.

**Statutory authority:** AS 38.05.020

**Statutes being implemented, interpreted, or made specific:** AS 27.21.030; AS 37.10.050; AS 37.10.058; AS 38.05.035; AS 38.05.131; AS 38.05.132; AS 38.05.133; AS 38.05.135; AS 38.05.145; AS 38.05.150; AS 38.05.177; AS 38.05.180; AS 38.05.190; AS 38.05.255; AS 38.05.850; AS 38.05.860; AS 38.05.920; AS 41.06.020; AS 44.37.020.

**Fiscal information:** The proposed regulation changes are not expected to require an increased appropriation.

The DNR Division of Oil and Gas keeps a list of individuals and organizations interested in its regulations. Those on the list will automatically be sent a copy of all of the DNR Division of Oil and Gas notices of proposed regulation changes. To be added to or removed from the list, send a request to the DNR Division of Oil and Gas at 550 W 7th Avenue, Suite 1100, Anchorage AK, 99501, giving your name, and either your e-mail address or mailing address, as you prefer for receiving notices.



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