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**OFFICE OF THE LIEUTENANT GOVERNOR
ALASKA**

MEMORANDUM

TO: Mary Kay Ryckman
Department of Natural Resources

FROM: April Simpson, Office of the Lieutenant Governor 
465.4081

DATE: November 26, 2019

RE: Filed Permanent Regulations: Department of Natural Resources

Department of Natural Resources regulation re: Div. of Oil and Gas: Oil and Gas Lease
(11 AAC 04.010 - 88.185)

Attorney General File:	2018200747
Regulation Filed:	11/26/2019
Effective Date:	12/26/2019
Print:	232, January 2020

cc with enclosures: Harry Hale, Department of Law
Judy Herndon, LexisNexis

ORDER ADOPTING CHANGES TO REGULATIONS
OF DEPARTMENT OF NATURAL RESOURCES

The attached 22 pages of regulations, dealing with payment of oil and gas royalties, rents and bonuses and mineral leasing practices and procedures, including oil and gas leasing procedures, are adopted and certified to be a correct copy of the regulation changes that the Department of Natural Resources adopts under the authority of AS 38.05.020 and after compliance with the Administrative Procedure Act (AS 44.62), specifically including notice under AS 44.62.190 and 44.62.200 and opportunity for public comment under AS 44.62.210.

This action is not expected to require an increased appropriation.

Although no public comments were received regarding the cost to private persons of the regulatory action being taken, the Department of Natural Resources paid special attention to the cost to private persons of the regulatory action being taken when developing the proposed changes.

The regulation changes adopted under this order take effect on the 30th day after they have been filed by the lieutenant governor, as provided in AS 44.62.180.

Date: 9/13/19



Corrie A. Feige, Commissioner

FILING CERTIFICATION

April Simpson for

I, Kevin Meyer, Lieutenant Governor for the State of Alaska, certify that on

November 26, 2019, at 3:47 p.m., I filed the attached regulations according to the provisions of AS 44.62.040 - 44.62.120.


for Lieutenant Governor *Kevin Meyer*

Effective: December 26, 2019.

Register: 232, January 2020

FOR DELEGATION OF THE LIEUTENANT GOVERNOR'S AUTHORITY

**I, KEVIN MEYER, LIEUTENANT GOVERNOR OF THE STATE OF ALASKA,
designate the following state employees to perform the Administrative Procedures Act
filing functions of the Office of the Lieutenant Governor:**

**Josh Applebee, Chief of Staff
Kady Levale, Notary Administrator
April Simpson, Regulations and Initiatives Specialist**

**IN TESTIMONY WHEREOF, I have
signed and affixed the Seal of the State of
Alaska, in Juneau, on December 11th,
2018.**



A handwritten signature in blue ink, appearing to read "K. Meyer", is written over a horizontal dotted line.

**KEVIN MEYER
LIEUTENANT GOVERNOR**

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11 AAC 04 is amended to read:

Chapter 4. Payment of Oil and Gas Royalties [,RENTS, AND BONUSSES].

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

11 AAC 04.010(a) is amended to read:

(a) The provisions of this chapter apply to royalty [, RENTAL, AND BONUS] payments in connection with all state oil and gas leases. (Eff. 2/21/98, Register 145; am 12/27/2002, Register 164; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

11 AAC 04.020 is amended to read:

11 AAC 04.020. Designated payor. The lessee shall make all royalty [, RENTAL, AND MINIMUM ROYALTY] payments and any other payments, in accordance with its lease ownership interest, unless otherwise approved in writing by the department [COMMISSIONER]. (Eff. 2/21/98, Register 145; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

11 AAC 04.030(b) is repealed.

(b) Repealed 12/26/2019.

11 AAC 04.030(c) is repealed.

(c) Repealed 12/26/2019.

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11 AAC 04.030(d) is repealed.

(d) Repealed 12/26/2019. (Eff. 2/21/98, Register 145; am 12/26/2019.

Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

Editor's note: As of Register — the subject matter of former 11 AAC 04.030(b) is located in 11 AAC 83.110(a) and the subject matter of former 11 AAC 04.030(d) is located in 11 AAC 82.465.

11 AAC 04.040(b) is repealed:

(b) Repealed 12/26/2019.

11 AAC 04.040 (c) is repealed:

(c) Repealed 12/26/2019.

11 AAC 04.040(d) is amended to read:

(d) The lessee shall send all supporting documentation for payments by approved electronic commerce method or in writing, to the address specified by the **department** [COMMISSIONER]. (Eff. 2/21/98, Register 145; am 12/27/2002, Register 164; am 1/9/2014,

Register 209; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

Editor's note: Forms and instructions for making royalty payments and filing royalty reports and supporting documentation required to comply with 11 AAC 04. can be obtained at the Anchorage office of the Department of Natural Resources, Division of Oil and Gas, 550 West 7th Avenue, Suite 1100, or can be found on the department's website at

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<http://dog.dnr.alaska.gov/Services/Royalty>

[WWW.DOG.DNR.ALASKA.GOV/ROYALTY/REPORTINGINSTRUCTIONS.HTM].

11 AAC 04.050 is repealed and readopted to read:

11 AAC 04.050. Methods of payment; payment application. (a) The lessee shall make royalty payments to the credit of the state by an ^{automated clearing house} ~~ACH~~ transaction, by a wire transfer through the Federal Reserve System, or by another method as approved by the commissioner, to the address specified in writing by the department.

(b) The lessee shall make payments of amounts other than royalties, including payments of interest or administrative fees, in accordance with (a) of this section.

(c) The lessee shall make minimum royalty payments in accordance with the minimum royalty provisions of the lease, when applicable. Otherwise, the lessee shall make minimum royalty payments in accordance with ~~11 AAC 04.050(a)~~ ^{← of this section}.

(d) The division will

(1) apply a payment described in (a) – (b) of this section in the following order

(A) first, to pay administrative fees:

(B) ^{second} ~~next~~ to pay interest:

(C) ^{third} ~~next~~ to pay past principal:

(D) ^{fourth} ~~finally~~ to reduce current principal; and

(2) apply the payment first to the accounting unit with the smallest produced volume for the production month being paid by the lessee. (Eff. 2/21/98, Register 145; am 12/27/2002, Register 164; am 12/26/2019, Register 232)

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Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

11 AAC 04.060 is amended to read:

11 AAC 04.060. Royalty refunds [REFUNDS] and credits.

11 AAC 04.060(b) is amended to read:

(b) The division will, in its discretion, apply a refund to offset amounts owed by a lessee on any other royalties [, BONUSES, RENTS OR OTHER PAYMENTS] due the state.

(Eff. 2/21/98, Register 145; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.180

11 AAC 05.110(d)(3)(M) is amended to read:

(M) transfer of an interest in an oil and gas or gas only lease, oil and gas or gas only exploration license, or gas storage lease, including an initial separation of an overriding royalty interest and working interest, \$250;

[(i) FOR A SINGLE LEASE, \$300

(ii) FOR EACH ADDITIONAL LEASE FILED AS A PART OF
A SINGLE PACKAGE, FROM THE SAME ASSIGNOR TO THE SAME
ASSIGNEE AND THE TRANSFER PERCENTAGES AS IN (i) OF THIS
SUBPARAGRAPH, \$100;]

(Eff. 7/1/2018, Register 227; am 12/26/2019, Register 232)

^{Bold}
Authority: AS 27.21.030 AS 38.05.035 AS 38.05.255

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AS 37.10.050	AS 38.05.133	AS 38.05.850
AS 37.10.058	AS 38.05.177	AS 41.06.020
AS 38.05.020	AS 38.05.180	AS 44.37.020

11 AAC 82.205(f) is amended to read:

(f) If it is still current and accurate, materials previously filed with the department that satisfies all or part of the requirements of this section may be incorporated into an application by reference to the filing date of the previously filed material and by providing a statement as to any material changes or amendments. Material changes or amendments to any of the information required under (a) - (e) of this section must be submitted before any individual or entity may

(1) bid in a lease sale;

(2) apply or submit a bid for an exploration license;

(3) apply for a permit;

(4) apply to transfer any interest in a lease, license, or permit; or

(5) receive any interest in a lease, license, or permit.

11 AAC 82.205 is amended by adding a new subsection to read:

(g) For leases, oil and gas exploration licenses, or permits issued under AS 38.05.13¹~~3~~ – 38.05.1¹⁴⁵~~34~~ or AS 38.05.177 – 38.05.181, if not previously submitted to the department under (f) of this section, ^amaterial changes or amendments to information provided under this section, or a confirmation that no change has occurred, must be annually updated by February 15 of each

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year. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 3/27/82, Register 81; am 3/18/83, Register 85; am 7/1/89, Register 110; am 9/22/95, Register 135; am 12/26/2019, Register 232)

Authority:	AS 38.05.020	AS 38.05.133	AS 38.05.180
	AS 38.05.131	AS 38.05.145	AS 38.05.190

11 AAC 82.400 is amended to read:

11 AAC 82.400 Parcel offered for competitive lease. Competitive land will be offered for lease at the discretion of the commissioner in lease parcel which ^{the commissioner} [he] may determine to be as nearly compact in form as possible. The commissioner may defer or remove any parcel or acres in a parcel from an offering

¹
(a) before bid opening without notice. The department will return unopened bids received for a parcel that is deferred or removed from an offering, including any bid deposits submitted; or ^{under this paragraph}

²
(b) after bid opening and before lease issuance, with notice to the apparent high bidder. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority:	AS 38.05.020	AS 38.05.135	<u>AS 38.05.180</u>
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11 AAC 82.405 is amended to read:

11 AAC 82.405. Method of bidding. Bidding may be by sealed bid or at public outcry auction, including online bidding, unless otherwise prescribed by law or regulation dealing with

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the subject. If not so prescribed, the method of bidding is at the discretion of the commissioner.

(Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 (b) AS 38.05.150 AS 38.05.180
AS 38.05.145(a)

11 AAC 82.420 is amended to read:

11 AAC 82.420. Bid form. Bids must be signed and submitted on a bid form supplied or approved by the department for the particular lease offer or on a verbatim copy of one. No bid containing or accompanied by any condition, qualification, or material alteration may be considered. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145(a) AS 38.05.180
AS 38.05.035

11 AAC 82 is amended by adding a new section to read:

11 AAC 82.423. Bid service charges. A bidder shall be responsible for commission or like compensation payable to any third-party vendor hosting an online offering for submitted bids; including handling and transfer of bid deposits. (Eff. 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.180

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11 AAC 82.425 is repealed and readopted to read:

11 AAC 82.425. Bid deposit. Any bid deposit required by statute, regulation, or instruction provided by the department must be in United States dollars and in one of the following forms of payment or combination of forms of payment

¹

(a) cash;

²

(b) cashier's or certified check drawn on any solvent bank in the United States and made payable to the Department of Natural Resources;

³

(c) money order made payable to the Department of Natural Resources; or

⁴

(d) electronic funds transfer, wire transfer, or automated clearing house transaction for the use and benefit of the state, including if a third-party vendor approved by the department hosts an online disposal. (Eff. 9/5/74, Register 51; am 12/26/2019, Register 232)

Authority: AS 38.05.020

AS 38.05.145(a)

AS 38.05.860

11 AAC 82.430 is repealed and readopted to read:

^(a)
11 AAC 82.430. Joint bids. A bid with two or more bidders must

(1) be submitted on a bid form supplied by or approved under 11 AAC 82.420;

(2) state the percent interest of each bidder;

(3) designate one bidder who is authorized to receive notices on behalf of all the bidders; and

^{Each}
(b) ¹ ~~(4)~~ all bidders

on a bid with two or more bidders must be qualified in accordance with 11 AAC 82.200¹⁵205. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 3/27/82,

Register 81; am 12/26/2019, Register 232)

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Authority: AS 38.05.020 AS 38.05.145 AS 38.05.180

11 AAC 82.435 is amended to read:

11 AAC 82.435. Bids at [PUBLIC] auction. Each bidder at a sale by sealed bid or public outcry auction, including online bidding, shall submit to [DEPOSIT WITH] the commissioner, [OR] other officer, or other entity authorized by the commissioner conducting the sale, the deposit and information required by 11 AAC 82.415 – 11 AAC 82.430 [11 AAC 82.425 – 11 AAC 82.430] in accordance with instructions provided by the department. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 6/28/81, Register 78; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145 AS 38.05.180
AS 38.05.860

11 AAC 82.440 is amended to read:

11 AAC 82.440. Opening bids, holding auctions. Sealed bids, including bids received online, must be opened publicly, and public auctions must be held at the time and place specified in the public notice issued in accordance with 11 AAC 82.415 [NOTICES]. No bid which the commissioner determines to be nonresponsive to the sale notice may be given further consideration at the public sale proceeding. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145(a) AS 38.05.180

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11 AAC 82.450 is amended to read:

11 AAC 82.450. Rejection of bids. The commissioner ^{may} ~~will~~, in his discretion, reject any or all bids on any tract or tracts before a lease is awarded. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.135 AS 38.05.145(a)

11 AAC 82.465 is repealed and readopted:

11 AAC 82.465. Bonus; rental; bond. (a) When the right to a lease is awarded, the department will notify the successful bidder or designee under 11 AAC 82.430(3). The successful bidder shall wire transfer federal funds in the amount of the balance of the cash bonus, first year's annual rental, submit two copies of the lease form fully executed by the high bidder(s), and, if required, file a bond or pay accrued interest within the period specified in the award notice. If an apparent high bidder fails to comply with the provisions of this section, the bidder shall forfeit rights to the awarded lease and

(1) forfeit the bid deposit; or

(2) if leased under AS 38.05.180, forfeit 20 percent of the bonus bid. The department will issue any refund, if applicable, in compliance with 11 AAC 82.475.

(b) The department will apply payments in the following order to the

(1) accrued interest, if required;

(2) balance of the cash bonus; and

(3) first year's annual rental. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 7/1/89, Register 110; am 12/26/2019, Register 232)

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Authority: AS 38.05.020 AS 38.05.145

11 AAC 82 is amended by adding a new section to read:

11 AAC 82.466. Rental reduction determination. For oil and gas, or gas only leases, with rental increases during the primary term, an application for a rental reduction determination under the terms of a lease agreement must be received at least 90 days before the lease anniversary date where the rental rate increases above \$20 per acre. Rental reduction determination application^{SA} must be made on the form required by the department. (Eff. 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.035 AS 38.05.180

11 AAC 82.615(a)(1) is amended to read:

(1) be filed in triplicate if necessary and comply with 11 AAC 88.105;

(Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 7/1/89, Register 110; am 9/22/95, Register 135; am 7/1/2018, Register 227; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.132 AS 38.05.920
AS 38.05.131 AS 38.05.133

11 AAC 82.650 is amended to read:

11 AAC 82.650. Control. (a) The physical location of the boundaries of any legal subdivision subject to a lease describing land according to a protracted survey, is, for the purposes of ^{ALL CAPS} sec. 645 of this chapter controlled by the latitudes and longitudes indicated on the

← 11 AAC 82.645

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protracted survey, if no portion of the protracted survey has been surveyed by the department or by the Bureau of Land Management, Department of the Interior, under the public land rectangular system. If a portion has been surveyed by the department or the Bureau of Land Management, that survey applies. When locating the unsurveyed remainder of a section of land, a projection of the section lines from the surveyed portion as monumented under the public rectangular system to the first protracted section corner position determines the remainder of the surveyed section. If the first protracted section corner position can be closed into by the public land rectangular survey system within the accuracies and standards established by the Bureau of Land Management Manual of Surveying Instructions (2009) ^{that is adopted by reference} [BUREAU OF LAND MANAGEMENT'S 1947 MANUAL OF SURVEYING INSTRUCTIONS] and in accordance with the department's survey requirements, the protracted corner becomes a common corner for description purposes. Otherwise the surveyed section of land is closed into the protracted section line position as defined by protracted data.

(b) The boundaries of leases issued before July 22, 1979 will be controlled by this section upon approval of the department [COMMISSIONER] with the consent of the lessees of record. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.035 AS 38.05.145(a)

Editor's Note: Copies of the Bureau of Land Management Manual of Surveying Instructions (2009), adopted by reference in 11 AAC 82.650(a), are available for review at Department of Natural Resources, Division of Mining Land and Water, Survey Section

offices in Anchorage. An electronic copy may be viewed through the United States Department of the Interior at https://www.blm.gov/sites/blm.gov/files/Manual_of_Surveying_Instructions_2009.pdf

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11 AAC 83.110 is repealed and readopted:

to read

11 AAC 83.110 Rental. (a) Rental payments are due in accordance with the rental provisions of the lease.

(b) The department will credit an overpayment of rent to the next year's rental.

(c) All oil and gas leases are conditioned upon payment of the annual rental in advance on or before the beginning of each lease year before completion of a well capable of producing oil and gas in paying quantities on these leased lands.

(d) After a well has been plugged and abandoned and there is no other well on the lease capable of production, the commissioner may allow the rental rate effective during the year of the abandonment to be the rate for the remainder of the term of the lease, or, if production is achieved from a subsequent well, until the royalty or net profit share to the state exceeds the rental for that year. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71; am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145 AS 38.05.180

11 AAC 83 is amended by adding a new section to read:

11 AAC 83.111 Rental payments during an appeal or pending application. For any lease that is expired but otherwise remains subject to a pending application or appeal, the lessee must continue to pay annual rental at the previous year's rental rate, on or before the anniversary of the lease, during the application or appeal process. If, upon resolution of an appeal or final decision issued by the department, a lease is not extended, the department may refund the rental for the current lease year, prorated by month and acreage, starting the first day of the month

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following the time when the appeal resolution or decision becomes final. (Eff. 12/26/2019,

Register 232)

Authority: AS 38.05.020 AS 38.05.145 AS 38.05.180

11 AAC 83.400 is amended to read:

11 AAC 83.400. Applications. Applications for approval of a communitization or drilling agreement under AS 38.05.180(s) or drilling or development contracts under AS 38.05.180(t) must comply with 11 AAC 88.105 and must be accompanied by three signed copies of the proposed agreement **if necessary**. (Eff. 9/5/74, Register 51; am 7/22/79, Register 71, am 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145(a) AS 38.05.180

11 AAC 83.520 is amended to read:

11 AAC 83.520. Applications for storage lease. Applications for storage leases must comply with 11 AAC 88.105 and be accompanied by

- (1) three copies of a proposed form of storage lease **if necessary**; and
- (2) supporting data demonstrating the feasibility of the proposed storage project.

(Eff. 9/5/74, Register 51; am. 12/26/2019, Register 232)

Authority: AS 38.05.020 AS 38.05.145(a)

11 AAC 88.105 is amended to read:

11 AAC 88.105. Applications. All applications filed under 11 AAC 82 - 11 AAC 86 must comply with any requirements imposed by the regulations dealing with the subject of the applications, and must

- (1) be typewritten or printed in ink;
- (2) be signed by the applicant;
- (3) be filed by mail, [OR] personal delivery, or electronic mail at any filing office of the division;
- (4) identify any affected lease, permit, or application by serial number or date of filing;
- (5) describe the land affected by the application;
- (6) state the address to which any notice concerning the application may be given [MAILED]; and
- (7) be accompanied by the filing fee or fees prescribed by 11 AAC 05.110 or 11 AAC 05.140; this filing fee is retained as a service charge in all cases, including cases in which the application is rejected, denied, or withdrawn in whole or in part. (Eff. 9/5/74, Register 51; am 1/1/86, Register 96; am 7/1/89, Register 110; am 7/1/2018, Register 227, am 12/26/2019, Register 232)

Authority: AS 38.05.020(b)

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11 AAC 88.115 is amended to read:

11 AAC 88.115. Additional information. The director may require any additional information, in accordance with AS 38.05.035(a)(8), necessary to consider [REGARDING] an applicant's, claimant's, permittee's, or lessee's compliance with statute and regulations, including financial information, qualifications, business structure, and other information the director determines necessary [EXCEPT PROPRIETARY DATA NOT SPECIFICALLY AUTHORIZED BY OTHER REGULATION OR STATUTE]. Failure to comply results in rejection of the application and is a default under the terms of the permit or lease and the regulations applicable to it. (Eff. 9/5/74, Register 51; am 12/26/2019, Register 232)

Authority: AS 38.05.020(b) AS 38.05.035(a)

11 AAC 88.130(a) is amended to read:

(a) Payments are timely if an affected lease or permit is identified by an Alaska Division of Lands' serial number, and is [EITHER] (1) delivered at any of the division offices designated by the director as "filing offices" during filing hours within the time allowed by any notice, decision, regulation or law, [OR] (2) mailed on or before the due date provided by any notice, decision, regulation or law and the mailing date can be verified by postmark or other post office record or notation; or (3) submitted through a department electronic payment system on or before the due date and time provided by notice, decision, regulation or law and the date submitted can be verified.

(Eff. 9/5/74, Register 51; am 12/31/82, Register 84; am 12/26/2019, Register 232)

Authority: AS 38.05.020(b)

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11 AAC 88.135 is amended to read:

11 AAC 88.135. Means of filing. Filings and payments may be made by mail, [OR] personal delivery, or through a department electronic mail, filing, or payment system if available, unless provided by the section dealing with the subject of the filing or payment. (Eff. 9/5/74, Register 51; am 12/26/2019, Register 232)

Authority: AS 38.05.020(b)²

11 AAC 88.140(a) is amended to read:

11 AAC 88.140. Notices. (a) Any notice which the director gives to any person must be in writing and must be delivered in person or mailed by trackable mail service [REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED,] to the person at the person's [HIS CURRENT] address of record with the division.

(Eff. 9/5/74, Register 51; am 12/26/2019, Register 232)

Authority: AS 38.05.020(b)²

11 AAC 88.145(b) is amended to read:

(b) Notwithstanding any other provision of 11 AAC 82-11 AAC 88, no refund will be made for less than \$10 [\$2.00] (Eff. 9/5/74, Register 51; am 12/26/2019, Register 232)

Authority: AS 38.05.020(b)²

11 AAC 88.185 is repealed and readopted to read:

11 AAC 88.185. Definitions. As used in 11 AAC 82 - 11 AAC 88 and unless the context clearly requires a different meaning or unless otherwise defined in these chapters,

(1) "adjacent" means touching or lying in close proximity, as opposed to "contiguous" which requires a common boundary;

(2) "ADL number" means the Alaska Division of Lands number assigned by the department to a casefile;

(3) "associated substances" means all substances except helium produced as an incident of production of oil and gas by ordinary production methods and not defined herein as oil or gas;

(4) "automated clearing house transaction" means an electronic transaction by means of the Automated Clearing House network for the interbank clearing of electronic payments for participating depository financial institutions;

(5) "cash" means ^acashier's or certified checks, or ^{an}electronic fund transfer drawn on any solvent bank in the United States, automated clearing house transactions, postal or telegraphic money orders, or legal tender of the United States of America, or any combination of these;

(6) "commissioner" means the Commissioner of the Department of Natural Resources;

(7) "cooperative agreement" means an agreement or plan of development and operation for the recovery of oil and gas from any pool, field, or like area or any part thereof in

which separate ownership units are independently operated pursuant to the agreement without allocation of production;

(8) "director" means the Director of the Division of Lands or a designee;

(9) "division" means the Division of Lands, Department of Natural Resources;

(10) "filing office" means any place designated by the director as a filing office for applications, payments and filings under 11 AAC 82 - 11 AAC 88;

(11) "gas" means all natural gas, except helium gas, and all hydrocarbons produced at a well not defined herein as oil;

(12) "leasehold location" or "mining leasehold location" means the interests in land subject to a location under AS 38.05.205 before a lease has been issued;

(13) "legal subdivision" means an aliquot part of a section of land according to the public land rectangular survey system, not smaller than one-quarter of one-quarter of one section of land, containing approximately 40 acres; where a section of land contains section lots, "legal subdivision" also means those section lots; "legal subdivision" also means a protracted legal subdivision according to any protracted public land rectangular survey prepared by the division or Bureau of Land Management of the Department of the Interior, and made available to prospective applicants for leases;

(14) "leasehold," "mining lease," or "upland mining lease" means the interests in land subject to a mining lease issued in accordance with AS 38.05.205;

(15) "lessee or permittee of record" means the original lessee or permittee under any lease or permit or, if an assignment has been approved at any time, the latest assignee whose assignment has been approved;

(16) "locatable minerals" means those minerals which, on January 3, 1959, were subject to location under the United States mining laws (30 U.S.C.);

(17) "location" or "mining location" means a location on state-selected land authorized under AS 38.0⁵~~0~~.275, a mining claim made under AS 38.05.195, a leasehold location made under AS 38.05.205 or a prospecting site location made under AS 38.05.245;

(18) "locator" means the initial person to stake or locate a mining location or the current owner of a mining location;

(19) "mineral" means a naturally occurring substance with a characteristic chemical composition expressed by a chemical formula, including oil and gas;

(20) "notification lessee" means a lessee or agent authorized by the lessees to receive notices on behalf of all lessees from the state in connection with a lease;

(21) "offshore" means tide and submerged lands, that is, those lands lying seaward from the line of mean high tide;

(22) "oil" means crude petroleum oil and other hydrocarbons, regardless of gravity, that are produced in liquid form by ordinary production methods, including liquid hydrocarbons known as distillate or condensate recovered by separation from gas other than at a gas processing plant;

(23) "operating agreement" means an agreement giving the operator the right to carry on operations authorized by a lease or leases and to share in production obtained from the leased lands;

(24) "option" means an option to obtain an assignment of or an operating agreement covering a lease or portion of one;

(25) "order" means a determination made by the director or the commissioner in accordance with authority lawfully vested in them, issued in writing, filed in the permanent files of the division, and made available for inspection by the public;

(26) "participating area" means that part of an oil and gas lease unit area approved as being reasonably known to be underlain by hydrocarbons and known or reasonably estimated through use of geological, geophysical, or engineering data to be capable of producing or contributing to production of hydrocarbons in paying quantities;

(27) "person" includes a natural living being, business, or an association of persons;

(28) "pool" means an underground reservoir containing or appearing to contain a common accumulation of oil or gas or both; each zone of a general structure which is completely separated from any other zone in the structure is a pool;

(29) "primary term" means the initial term of an oil and gas lease and any extension of it;

(30) "qualified to do business in Alaska" means holding the state certificates necessary to lawfully conduct business within the state;

(31) "smallest legal subdivision" means one-quarter of one-quarter of one section of land, containing 40 acres more or less, except where a section contains smaller section lots according to the public land rectangular survey or a protracted public land rectangular survey prepared by the division or by the Bureau of Land Management of the Department of the Interior, and made available to prospective applicants for leases, in which case "smallest legal

subdivision" means those smaller section lots; as to unsurveyed land not covered by such a protracted survey, it means a square containing 40 acres, more or less;

(32) "status record" means the basic record maintained by the division to show the status of every tract of land and of leases and applications for leases on them;

(33) "tract" means a parcel offered for competitive lease;

(34) "unit agreement" means an agreement for the recovery of oil and gas from a pool, field or like area, or any part of one, as a single consolidated unit without regard to separate ownerships, and for the allocation of production on a basis as defined in the agreement; "unit agreement" also includes "cooperative agreement" unless the context clearly requires the more restricted meaning;

(35) "unit area" means the land subject to a unit agreement;

(36) "unit operator" means the person, corporation or association designated under a unit agreement to conduct operations in or on a unit as specified in the unit agreement;

(37) "working interest" means the interest held in lands by virtue of a lease under which the owner of the interest is vested with the right to explore for, develop and produce minerals; the right delegated to a unit operator by a unit agreement is not a working interest. (Eff. 9/5/74, Register 51; am 3/27/82, Register 81; am 5/30/85, Register 94; am 5/18/90, Register 114; am 5/22/93, Register 126; am 9/10/98, Register 147, 12 /26 /2019, Register 232)

Authority: AS 38.05.020 AS 38.05.177