ARKANSAS AUDITOR OF STATE
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UNCLAIMED Property Holder Seminar 2026

Session 5

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Protecting & Managing Arkansas Mineral Interests

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Where can I search for unclaimed property for my business?

- **MissingMoney.com** is a free, official web portal endorsed by the National Association of Unclaimed Property Administrators (NAUPA) and most U.S. state governments. The site serves as a central database to help reunite people with their unclaimed property.
- **MissingMoney.com** also includes a link to each state's unclaimed property website so you can inquire about unclaimed property within that state

Unclaimed Mineral Proceeds: Basics

- Report due (electronically) prior to November 1 for property presumed abandoned as of 6/30 and prior of that year

- A.C.A. §18-28-201 provides that:
  - **(8)** "Mineral" means gas; oil; coal; other gaseous, liquid, and solid hydrocarbons; oil shale; cement material; sand and gravel; road material; building stone; chemical raw material; gemstone; fissionable and nonfissionable ores; colloidal and other clay; steam and other geothermal resource; or any other substance defined as a mineral by the law of this state."
- A.C.A. §18-28-401 adds to this definition

Unclaimed Mineral Proceeds: Basics (cont'd)

- A.C.A. §18-28-201 further provides that:
  - **(9)** " 'Mineral proceeds' means **amounts payable for the extraction, production, or sale of minerals**, or, upon the abandonment of those payments, all payments that become payable thereafter. The term includes amounts payable:
    - **(i)** for the acquisition and retention of a mineral lease, including bonuses, royalties, compensatory royalties, shut-in royalties, minimum royalties, and delay rentals;
    - **(ii)** for the extraction, production, or sale of minerals, including net revenue interests, royalties, overriding royalties, extraction payments, and production payments; and
    - **(iii)** under an agreement or option, including a joint operating agreement, unit agreement, pooling agreement, and farm-out agreement."

Unclaimed Mineral Proceeds: Reporting

- A.C.A. §18-28-403 provides that the report must <u>also</u> contain:
  - Name and address of the property owner; and
  - Applicable well name, uncontrolled lease name, or unitized area name as recognized by the Oil and Gas Commission; and
  - County/section/township/range of well; <u>or</u>
  - County/section/township/range from which minerals were severed or produced.

Unclaimed Mineral Proceeds: Keep it Simple!

- The definitions can be complex
- Unclaimed property = any undischarged obligation or liability to another party. (And don't forget industry-agnostic types!)

Dormancy Period	NAUPA Code	Property Description
3	MI01	Net Revenue Interest
3	MI02	Royalties
3	MI03	Overriding Royalties
3	MI04	Production Payments
3	MI05	Working Interest
3	MI06	Bonuses
3	MI07	Delay Rentals
3	MI08	Shut-in Royalties
3	MI09	Minimum Royalties
3	MI99	Aggregate Mineral Proceeds (Under $50)

Unclaimed Mineral Proceeds: Pre-Escheat

- A.C.A. §18-28-403 provides that companies must establish an escrow account for mineral proceeds if the entitled person is unknown or has not been located within one (1) year after the funds became payable or distributable.
- Account is for the benefit of the rightful recipient
- Promptly pay the recipient upon sufficient proof of identity and ownership / title
- May be commingled in a single account, with separate recordkeeping

Unclaimed Mineral Proceeds: Current Pay

- “Current pay” or “pay-to-current” – huh!?
  - Once one amount is presumed abandoned and reportable, all amounts for that owner should be reported regardless of aging
- See again A.C.A. §18-28-201, definition of Mineral Proceeds
  - “…or, upon the abandonment of those payments, all payments that become payable thereafter…”
- Similarly, A.C.A. §18-28-202(b) provides that:
  - “At the time that an interest is presumed abandoned under subsection (a), any other property right accrued or accruing to the owner as a result of the interest, and not previously presumed abandoned, is also presumed abandoned.”

Mineral proceeds are a distinct Arkansas review area – Arkansas Statutory Lens

Broad mineral definition

Arkansas defines mineral to include gas, oil, coal, hydrocarbons, sand and gravel, chemical raw material, gemstones, geothermal resources, and other substances defined as minerals by Arkansas law.

Mineral proceeds definition

Mineral proceeds include amounts payable for extraction, production, or sale of minerals, and after abandonment, all payments that become payable thereafter.

Three-year presumption

Mineral proceeds held or owing and unclaimed longer than three years after becoming payable or distributable are presumed abandoned.

Reporting data fields

Reports include owner name/address, applicable well/lease/unit name, county/section/township/range, and other requested information.

Audit implication: Arkansas mineral-proceeds testing should not stop at aged checks. It should also test owner status, suspense reason codes, current-pay treatment, and location-based mineral metadata.

Build the population from both payment systems and mineral systems

A complete audit tests what was paid, voided, suspended, credited, remediated, and left unresolved.

1	**Entity scoping**	Identify operating entities, acquisitions, subsidiaries, and reporting history.
2	**Data intake**	Request owner master file, land records, division orders, suspense ledgers, payment history, voids, and production data. Policies/Procedures, Prior reporting history, if any, and suspense classification definitions are also gathered.
3	**Population build**	Tie obligations to owner records, property type, last activity, address state, suspense reason, and mineral location.
4	**Exception testing**	Isolate unfunded checks, voids to suspense, reportable suspense, unidentified credits, and owners with stale activity.
5	**Remediation and due diligence**	Apply support, owner responses, prior filings, debit offsets, and due diligence results before final findings.

Control principle: No single source is sufficient. Mineral proceeds require cross-system traceability.

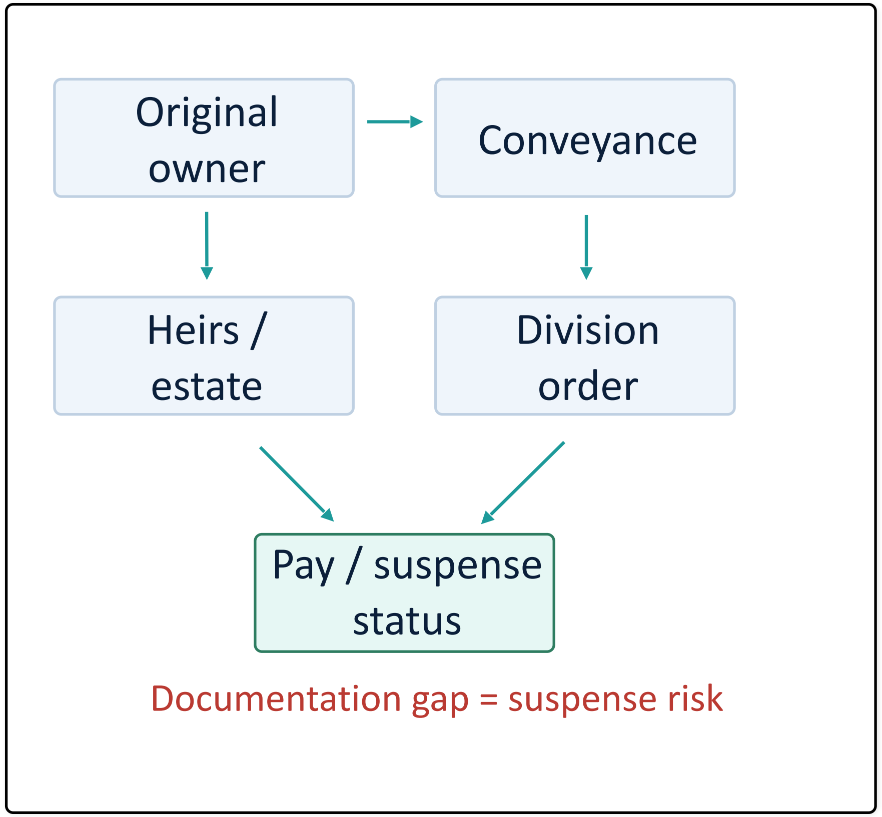
Verify entitlement before testing reportability

Title chain
Deeds, assignments, probate orders, affidavits of heirship, curative instruments, court orders.

Owner master file
Owner ID, name variants, last known address, tax ID status, pay status, owner class, and correspondence history.

Mineral tract and unit link
Tract, lease, well, unit, county, section, township, range, and operator/ lease references.

Interest calculation*
Royalty decimal, NRI, ORRI, WI, burden deductions, changes in decimal over time.



*Interest calculation involves reviewing the owner's royalty decimal and determining the applicable ownership interest type, such as a Royalty Interest (RI), Net Revenue Interest (NRI), Overriding Royalty Interest (ORRI), or Working Interest (WI), to verify that production revenues were allocated and paid correctly.

Use division orders to bridge title to payment

Division order elements

- Owner name
- Owner number
- Interest type
- Decimal/NRI
- Well/lease/unit
- Effective date
- Signature/status

Audit tests

- Compare to title opinion
- Trace to owner master
- Recalculate decimals
- Review unsigned/ returned DOs
- Check stale address and W-9 flags
- Confirm changes after probate

Exceptions

- Unsigned or unreturned DO
- Decimal mismatch
- Duplicate owner record
- Owner deceased but still payable
- Lease/unit mismatch
- Suspense code inconsistent with support

Trace the money from production to remittance

The objective is to determine whether a payable mineral obligation was paid, suspended, voided, offset, or omitted from reporting.

Production volume
Meter statements, purchaser statements

→

Price and deductions
Sales price, taxes, gathering, post-production deductions

→

Owner decimal
RI, ORRI, WI, NRI, unit interest

→

Royalty amount
Gross share less authorized deductions

→

Payment or suspense
Check, ACH, void, stale, suspense, report

Completeness tests

Reconcile production/payment files to GL, bank disbursements, O/S checks, voids, ACH rejects, revenue decks, and suspense movement.

Accuracy tests

Recalculate sample payments using owner decimal, effective date, unit allocation, product mix, price, and allowable deductions.

Cutoff and dormancy

Determine when each amount became payable or distributable and whether owner contact or resolution occurred before reportability.

Classify why funds were not paid before deciding treatment

Suspense reason	Evidence to request	Audit treatment
Title defect / probate	**Title memos, probate docs, heirship affidavits, correspondence**	**Report if payable and unresolved beyond dormancy; preserve reason code for claims.**
Missing documents	**Unsigned DO, missing W-9, stale owner setup, returned mail**	**Test whether documentation issue prevents owner contact or payment.**
Bad address / owner not located	**Returned mail, address research, due diligence letters, owner response log**	**Treat as unclaimed if no owner-generated activity and dormancy is met.**
Ownership dispute	**Competing claims, legal hold, court action, settlement status**	**Maintain legal support; avoid offsetting unsupported amounts.**

Red flag: suspense reason codes that suppress reporting without current support, owner activity, or legally documented payment restrictions.

Look for mismatches across title, division orders, payments, and leases

Discrepancies often reflect whether the holder can prove that a mineral obligation was correctly paid, withheld, or reported.

Owner mismatch

Name/address differ across title, owner master, DO, and payment file.

Decimal mismatch

Calculated interest does not equal paid interest or revenue deck decimal.

Suspense mismatch

Reason code conflicts with available documentation or owner activity.

Void to suspense

Outstanding or voided checks transfer into suspense without reportability review.

Lease mismatch

Royalty rate, deductions, minimum royalty, or effective date inconsistent with lease terms.

Current-pay gap

Subsequent accruals not reported after owner interest became abandoned.

Recommended sampling overlay

Stratify by dollar value, suspense reason, age, owner type, acquisition source, state address, and mineral location. Target the largest dollars and the highest-risk explanations first.

Test lease terms before concluding a payment was complete

Unclaimed property exposure can arise from both unpaid owners and under-calculated obligations.

Royalty economics

Royalty rate, product valuation, post-production deductions, minimum royalties, shut-in royalties, delay rentals, bonuses, and production payments.

Timing and pay status

When payment became payable, minimum check thresholds, suspended periods, owner activity, and dormancy start date.

Lease and unit integrity

Effective dates, acreage, pooling or unitization, assignment history, lease termination, and changes in ownership decimal.

Arkansas reporting overlay

Current-pay treatment, three-year dormancy, well/lease/unit name, county, section, township, and range.

The lease compliance conclusion should answer: Was the right owner paid the right amount at the right time, and if not, was the unpaid obligation reported when it became abandoned?

Final deliverables should be traceable, defensible, and claim-ready

The final work product should preserve enough detail for state review, holder rebuttal, owner claims, and future compliance.

Reportable population

Owner-level listing with property type, amount, age, last address, status, and support.

Exception schedule

Specific discrepancy descriptions, test results, remediation status, and rejected offsets.

Claims support package

Suspense reason, title documents, owner research, and mineral location data preserved for claims.

Future compliance roadmap

Controls for DO review, owner outreach, current-pay accruals, reporting calendar, and documentation retention.

Looking Ahead

Lithium Boom

- Smackover Formation – Arkansas, Texas, Louisiana
- Thacker Pass - Nevada
- Salton Sea - California
- Canada - Particularly in provinces such as Quebec, Ontario, and Manitoba, where hard-rock lithium mining is expanding
- The surge is driven primarily by electric vehicles, renewable energy storage, and the expansion of battery manufacturing

Looking Ahead

Surface owner vs. Subsurface owner

Whether lithium belongs to the surface owner or subsurface (mineral) owner depends on the state, the type of lithium deposit, and how courts classify lithium under existing mineral-rights law.

General rule

Hard-rock lithium deposits (lithium-bearing ore mined from underground) are usually treated as a mineral.

- The mineral owner generally owns the lithium.
- The surface owner may be entitled to damages or compensation for surface use, depending on state law.

Lithium dissolved in underground brines is more complicated.

- Courts and legislatures have been wrestling with whether the lithium belongs to the mineral owner, the owner of the brine/water, or both.

Looking Ahead

What Effects will Lithium Production have on Unclaimed Property in the next decade?

- **More unclaimed mineral royalties**
- **Growth in heirship-related claims**
- **Some states could see larger reporting numbers**
- **More title and ownership disputes**
- **Potential for legislation changes**

Unclaimed Mineral Proceeds: Best Practices

- **M&A deal activity has rebounded** since COVID and oil recovery—be watchful of the target's historical compliance and what you inherit (compliance, data quality)
- **Ownership often fragmented**—develop process / recordkeeping
- **Suspense codes are a status not destination**—continue to advance, reengage the owner, or escheat
- **Consider electronic outreach (& responses)**—modernize due diligence to increase reengagement, searchable systems

Unclaimed Mineral Proceeds: Best Practices (cont'd)

- **Remember that every state is different**—e.g., mineral proceeds exempt in KY, 1-year dormancy in OH and 2-year in LA, etc.
- **Be proactive**—heir outreach, address restoration, courtesy mailings
- **Be creative**—certified mail, search & location services
- **Document, document, document**
- **Invest in the right resources**—revenue & suspense software, UP software (in-house) vs. outsourcing, people

Questions?

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