

1 IN THE HOUSE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 HOUSE BILL NO. 7

3 IN THE LEGISLATURE OF THE STATE OF ALASKA  
4 EIGHTH LEGISLATURE - FIRST SPECIAL SESSION

5 A BILL

6 For an Act entitled: "An Act relating to common purchasers of oil;  
7 and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \*Section 1. AS 31 is amended by adding a new chapter to read:

10 CHAPTER 15. COMMON PURCHASERS OF OIL.

11 Sec. 31.15.010. HEARING ON QUESTION OF DISCRIMINATION. (a)

12 Upon the complaint of a person having an interest in the production  
13 of oil from a field or at the commissioner's own discretion, the  
14 commissioner may hold a hearing or hearings to determine if there has  
15 been unjust and unreasonable discrimination in purchases of oil offered  
16 for purchase, within the state,

17 (1) in favor of one or more owners of oil produced as  
18 against another owner in the same field; or

19 (2) in favor of one or more fields in reasonably close  
20 proximity to each other.

21 (b) In determining whether there has been unjust and un-  
22 reasonable discrimination in favor of one or more owners of oil  
23 produced from a field, the commissioner shall consider the kind and  
24 quality of the oil, the sales prices of the oil, and other related  
25 matters.

26 (c) In determining whether there has been unjust and un-  
27 reasonable discrimination in favor of one or more fields in reasonably  
28 close proximity to each other, the commissioner shall consider the kind  
29 and quality of the oil, the sales prices of the oil, the size and

1 location of the fields, the maximum efficient rate of production from  
2 the pools, the cost and mode of transporting the oil from the fields,  
3 the term of the offerings, and other related matters.

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6 Sec. 31.15.020. DETERMINATION OF COMMON PURCHASER. (a) Where a  
7 purchaser is purchasing from a field and the commissioner finds that  
8 the purchaser has unjustly and unreasonably discriminated in purchases  
9 with regard to oil offered for sale in favor of one or more owners  
10 of oil produced in the field, he shall order the purchaser to be  
11 a common purchaser with respect to oil offered for sale from the  
12 field.

13 (b) Where a purchaser is purchasing from fields in reasonably  
14 close proximity to each other and the commissioner finds that the  
15 purchaser has unjustly and unreasonably discriminated in purchases with  
16 regard to oil offered for sale in favor of one or more of the fields,  
17 he shall order the purchaser to be a common purchaser with respect to  
18 oil offered for sale from each field involved.

19 (c) A purchaser cannot be ordered to be a common purchaser  
20 on the basis of purchases of oil taken in kind by the United States  
21 or the State of Alaska, or on the basis of the payment of royalties,  
22 overriding royalties, net profits, carried interests or similar  
23 interests, whether in kind or in value or on the basis of a producer  
24 taking its own production.

25 Sec. 31.15.030. RESPONSIBILITY OF COMMON PURCHASER. (a) A  
26 common purchaser purchasing in this state shall purchase ratably  
27 without unjust and unreasonable discrimination in favor of any owner  
28 or producer over any other owner or producer offering to sell oil  
29 produced from a field where it is a common purchaser or from fields in  
reasonably close proximity to each other where it is a common  
purchaser.

1 (b) If a purchaser is a common purchaser in more than one field  
2 in reasonably close proximity to each other, the commissioner may order  
3 the purchaser to purchase ratably from the fields involved in propor-  
4 tions which will prevent unjust and unreasonable discrimination among  
5 the fields.

6 Sec. 31.15.040. PENALTY. A person violating an order issued  
7 under this chapter shall be assessed by the commissioner a civil  
8 penalty of not less than \$100 nor more than \$1,000. Each day a  
9 violation continues constitutes a separate offense.

10 Sec. 31.15.050. DEFINITIONS. In this chapter

11 (1) "commissioner" means the commissioner of natural  
12 resources;

13 (2) "field" means a general area which is underlain or  
14 appears to be underlain by at least one pool, and includes the  
15 underground reservoir containing oil or gas; and the words "pool"  
16 and "field" mean the same thing when only one underground reservoir  
17 is involved, but "field" unlike "pool" may relate to two or more  
18 pools;

19 (3) "oil" includes crude petroleum oil and other hydro-  
20 carbons regardless of gravity which are produced at the wellhead  
21 in liquid form and the liquid hydrocarbons known as distillate or  
22 condensate recovered or extracted from gas, other than gas produced  
23 in association with oil and commonly known as casinghead gas;

24 (4) "pool" means an underground reservoir containing  
25 oil; each zone of a general structure which is completely separated  
26 from any other zone in the structure is covered by the term "pool";

27 (5) "purchaser" means a person who purchases oil in the  
28 state.

29 \* Sec. 2. AS 44.62.330(a) is amended by adding a new paragraph to

1 read:

2 (37) Department of Natural Resources, as to functions  
3 relating to common purchasers under AS 31.15.

4 \* Sec. 3. This Act takes effect on the day after its passage and  
5 approval or on the day it becomes law without approval.

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