

1 IN THE HOUSE

BY THE JUDICIARY COMMITTEE

2 CS FOR 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.

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

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

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

23 Sec. 31.15.030. RESPONSIBILITY OF COMMON PURCHASER. (a) A
24 common purchaser purchasing in this state shall purchase ratably
25 without unjust and unreasonable discrimination in favor of any owner
26 or producer over any other owner or producer offering to sell oil
27 produced from a field where it is a common purchaser or from fields in
28 reasonably close proximity to each other where it is a common
29 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 (c) The commissioner may make inquiry in each field concerning
7 the connections of the various producers and when unjust and unreason-
8 able discrimination is found to be practiced by any common purchaser as
9 defined in this chapter the commissioner shall issue an order to the
10 common purchaser to make reasonable extensions of their lines and
11 reasonable connections as will prevent the discrimination.

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

16 Sec. 31.15.050. DEFINITIONS. In this chapter

17 (1) "commissioner" means the commissioner of natural
18 resources;

19 (2) "field" means a general area which is underlain or
20 appears to be underlain by at least one pool, and includes the
21 underground reservoir containing oil or gas; and the words "pool"
22 and "field" mean the same thing when only one underground reservoir
23 is involved, but "field" unlike "pool" may relate to two or more
24 pools;

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

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

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

6 * Sec. 2. AS 44.62.330(a) is amended by adding a new paragraph to
7 read:

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

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