

Original sponsor: Rules Committee by request
of the Governor

Offered: 10/30/73
Referred: Rules

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 SENATE CS FOR 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; and
7 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 of
13 oil from a field, the commission shall hold a hearing or hearings, or,
14 at the commission's own discretion, the commission may hold a hearing or
15 hearings to determine if there has been unjust and unreasonable dis-
16 crimination in purchases of oil offered 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 unreasonable
22 discrimination in favor of one or more owners of oil produced from a
23 field, the commission shall consider the kind and quality of the oil,
24 the sales prices of the oil, and other related matters.

25 (c) In determining whether there has been unjust and unreasonable
26 discrimination in favor of one or more fields in reasonably close
27 proximity to each other, the commission shall consider the kind and
28 quality of the oil, the sales prices of the oil, the size and
29 location of the fields, the maximum efficient rate of production from

1 the pools, the cost and mode of transporting the oil from the fields,
2 the term of the offerings, and other related matters.

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

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

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

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

29 (b) If a purchaser is a common purchaser in more than one field

1 in reasonably close proximity to each other, the commission may order
2 the purchaser to purchase ratably from the fields involved in propor-
3 tions which will prevent unjust and unreasonable discrimination among
4 the fields.

5 (c) The commission may make inquiry in each field concerning
6 the connections of the various producers and when unjust and unreason-
7 able discrimination is found to be practiced by any common purchaser as
8 defined in this chapter the commission shall issue an order to the
9 common purchaser to make reasonable extensions of their lines and
10 reasonable connections as will prevent the discrimination.

11 Sec. 31.15.040. PENALTY. A person violating an order issued
12 under this chapter shall be assessed by the commission a civil
13 penalty of not less than \$1,000 nor more than \$10,000. Each day a
14 violation continues constitutes a separate offense.

15 Sec. 31.15.050. DEFINITIONS. In this chapter

16 (1) "commission" means the Alaska Pipeline Commission;

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

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

28 (4) "pool" means an underground reservoir containing
29 oil; each zone of a general structure which is completely separated

1 from any other zone in the structure is covered by the term "pool";

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

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

5 (37) Alaska Pipeline Commission as to functions relating
6 to common purchasers under AS 31.15.

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