

STATE OF OKLAHOMA

2nd Session of the 44th Legislature (1994)

HOUSE BILL NO. 2797

By: Mass

AS INTRODUCED

An Act relating to oil and gas; amending 52 O.S. 1991, Sections 472, 473, 474, 475, 476 and 477, which relate to the Standard Gas Measurement Law; modifying the present standard for measuring natural gas; clarifying certain terms clarifying statutory references; modifying application to include certain transactions; stating which transactions are included; providing for the measurement of gas transported out of the state; requiring certain records for certain gas; requiring access to certain records; modifying effect on certain existing contracts; modifying penalty for certain violation; providing certain exceptions to the penalty; providing an effective date; and declaring an emergency.

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 52 O.S. 1991, Section 472, is amended to read as follows:

Section 472. The term "cubic foot of gas" or "standard cubic foot of gas" means the volume of gas, including both natural gas and casinghead gas, contained in one cubic foot of space at a standard

pressure base and at a standard temperature base. The standard pressure base shall be fourteen and sixty-five hundredths (14.65) pounds per square inch absolute and the standard temperature base shall be sixty degrees Fahrenheit (60o F). Whenever the conditions of pressure and temperature differ from the above standard, conversion of the volume from these conditions to the standard conditions shall be made in accordance with the Ideal Gas Laws corrected for deviation from Boyle's Law, ~~which correction must be made unless the pressure at the point of measurement is two hundred (200) pounds per square inch gauge or less; all in accordance with methods and tables generally recognized by and commonly used in the natural gas industry.~~ All measurements, conversions and corrections of natural gas and other related hydrocarbon fluids shall be in conformance to the American National Standards Institute (ANSI)/American Petroleum Institute (API) Standard 2530, Second edition, September 1985, ANSI Approval on May 16, 1985, or the most current ANSI/API approved edition of the standard, also referred to as the API Standard 2530, American Gas Association Report No. 3 and the Gas Processors Association (GPA) 8185-85. For purposes of the Standard Gas Measurement Law, the standard shall be referred to as the ANSI/API Standard 2530-1985.

SECTION 2. AMENDATORY 52 O.S. 1991, Section 473, is amended to read as follows:

Section 473. ~~(a)~~ A. It shall be the duty of the Corporation Commission and ~~said~~ the Commission is hereby authorized, empowered and directed to determine the average temperature of gas, as produced in each oil and gas field in Oklahoma, and to determine the other variable factors necessary to calculate the metered volumes in accordance with the Ideal Gas Laws and the variable factors to correct for deviation from the Ideal Gas Laws in accordance with the ANSI/API Standard 2530-1985 in each of the oil and gas fields in the State of Oklahoma. Upon request of any interested party the

Corporate Commission shall give notice and hold a public hearing before making ~~such~~ a determination. Promptly upon ~~such~~ making determinations the Corporation Commission shall make and publish ~~such~~ the findings and promulgate ~~such~~ reasonable field rules as may be necessary to effectuate the provisions of ~~this act~~ the Standard Gas Measurement Law.

Any person, association of persons, or corporations shall be permitted to use the findings and field rules of the Commission for all purposes under ~~this act~~ the Standard Gas Measurement Law, but if ~~such~~ the findings or field rules are not ~~so~~ used in determining volumes under this ~~act~~ law, the volumes so otherwise determined shall be corrected to the basis of the "~~standard cubic foot of gas~~" natural gas measurement standards as defined in Section ~~2~~ 472 of this ~~act~~ title.

~~(b)~~ B. Any person required to report volumes of gas under the laws of this state, shall report ~~such~~ the volumes in number of standard cubic feet calculated and determined under the ~~provisions of this act~~ standards established in the Standard Gas Measurement Law.

SECTION 3. AMENDATORY 52 O.S. 1991, Section 474, is amended to read as follows:

Section 474. A. Each and every transaction or sale, and each and every purchase, delivery and receipt of gas by volume hereafter made in this state by, for or on behalf of an oil and gas lease owner, royalty owner thereunder, or other mineral interest owner, shall be made and ~~such~~ the gas shall be measured, calculated, purchased, delivered and accounted for on the basis of "~~a standard cubic foot of gas~~" the natural gas measurement standards as defined in Section ~~2~~ 472 of this title, and as determined under ~~this act~~ the Standard Gas Measurement Law. Transactions subject to the provisions of this law shall include but not be limited to production, transport, storage and injection activities.

B. All gas transported out of the state shall be measured after the last junction of a pipeline which is within the state prior to crossing the state border.

C. For every gas transaction, including production, transport, storage and injection activities, all accounts, records and memoranda relating to that gas transaction shall be maintained in the state in the same manner as required under the federal rules and regulations promulgated pursuant to the Natural Gas Act of 1992. All interested parties and state entities shall have reasonable access to the accounts, records and memoranda relating to the gas.

D. Whenever the provisions of ~~this act~~ the Standard Gas Measurement Law or any amendments thereto operate to change the basis of measurement specifically provided for in existing contracts, then the price for gas, including royalty gas, provided for in ~~such~~ the contracts shall, if either the purchaser or seller or owner so desires, be adjusted to compensate for the change in the method of measuring the volume of gas delivered thereunder. ~~This provision is intended to protect parties to contracts now in existence, so that after this act becomes effective the total amount of money paid for a volume of gas purchased, or required to be accounted for, under existing contracts shall remain unaffected by this act~~ The price per volume adjustment applies only if the contract specifically names an industry recognized standard of measurement or specifically states a basis of measurement used in the contract which is different from the ANSI/API Standard 2530-1985 required for measurement under this law. Where a specific standard was named or basis of measurement defined in the contract, this provision is intended to protect parties to contracts now in existence by providing a means of contract price per volume adjustment for gas volume measurement conversion when implementing the required ANSI/API Standard 2530-1985 for volume measurement under this law.

Nothing in this section shall affect or apply to purchases or sales made on any basis other than a volume basis.

SECTION 4. AMENDATORY 52 O.S. 1991, Section 475, is amended to read as follows:

Section 475. Any person, association of persons, or corporation who, as purchaser thereof, shall knowingly fail or refuse to so measure, calculate or account for any ~~such~~ gas so purchased, shall be subject to a penalty of not less than ~~Ten Dollars (\$10.00) nor more than~~ Five Hundred Dollars (\$500.00) and by imprisonment for not more than one (1) year for each offense. The fine shall be recoverable in the name of the state in any district court in Oklahoma County, ~~wherein service.~~ Service may be had by the Corporation Commission, and each day of ~~such a~~ violation shall constitute a separate offense. ~~But it shall be a defense to any claim for such penalty that the Corporation Commission has not made and published the findings provided for in Section 3a, as to the particular field in question~~ If the Corporation Commission has not made and published the findings provided for in Section 473 of this title as to the particular field in question, then it shall be a defense to any claim for the above-referenced penalty that the formula factors used by the measuring party are supportable in the calculation of gas volume under the ANSI/API Standard 2530-1985 for volume measurement. The only permitted exception to conformance to the standard named herein, is if the expense of strict conformance to the named standard or if the adding of metering equipment to a marginally producing well that currently does not have metering equipment would force the plugging of a marginally producing well. In such case the owners of interest, including the royalty interest, by written mutual agreement, may elect to share metering expenses or to any agreed method of volume estimation. The economic justification of the exception for marginally producing wells at risk of plugging would have to be supportable with third-party

quotes on cost of conformance. At any time the well is no longer at risk of plugging, as in the case of increased volume production or increased product market value, then the volume measurement would have to conform to the named standard and the cost of measuring paid by those ordinarily responsible.

Nothing herein shall prevent an aggrieved party from maintaining a civil suit for damages in the county or counties in which the gas is produced.

SECTION 5. AMENDATORY 52 O.S. 1991, Section 476, is amended to read as follows:

Section 476. Subject to the provisions to Section ~~4, hereof~~ 474 of this title, if any part, section, subsection, paragraph, sentence, clause, phrase, or word contained in ~~this act~~ the Standard Gas Measurement Law shall be held by the courts to be unconstitutional or invalid, ~~such~~ the holding shall not affect the validity of the remaining portions of ~~this act~~ the law, and the Legislature hereby declares that it would have been enacted, and does here now enact, such remaining portions despite any ~~such~~ invalidity.

SECTION 6. AMENDATORY 52 O.S. 1991, Section 477, is amended to read as follows:

Section 477. Nothing in ~~this act~~ the Standard Gas Measurement Law shall in any ~~wise~~ way limit or restrict the jurisdiction of the Corporation Commission of the State of Oklahoma to fix the price of natural gas in any common source of supply in the State of Oklahoma or the terms and conditions of the sale and purchase of natural gas in any common source of supply in the State of Oklahoma.

SECTION 7. This act shall become effective July 1, 1994.

SECTION 8. It being immediately necessary for the preservation of the public peace, health and safety, an emergency is hereby declared to exist, by reason whereof this act shall take effect and be in full force from and after its passage and approval.

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