

MINUTE ITEM

37. AMENDMENT TO CALIFORNIA ADMINISTRATIVE CODE, TITLE 2, DIVISION 3, LEASE AUTOMATIC CUSTODY TRANSFER - W.O. 3344, GEN. DATA.

After consideration of Calendar Item 44 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION ADOPTS THE FOLLOWING:

AFTER PROCEEDINGS HAD IN ACCORDANCE WITH THE PROVISIONS OF THE ADMINISTRATIVE PROCEDURES ACT (GOV. CODE, TITLE 2, DIV. 3, PART 1, CHAP. 4), AND PURSUANT TO THE AUTHORITY VESTED BY SECTION 6108 OF THE PUBLIC RESOURCES CODE, AND TO IMPLEMENT, INTERPRET, OR MAKE SPECIFIC SECTIONS 6871, ET SEQ., OF THE PUBLIC RESOURCES CODE, THE STATE LANDS COMMISSION HEREBY AMENDS AND ADOPTS ITS REGULATIONS IN TITLE 2, CALIFORNIA ADMINISTRATIVE CODE, AS FOLLOWS:

ADOPTS NEW SECTION 2107.5 TO READ:

2107.5. AUTOMATIC CUSTODY TRANSFER.

- (a) ANY APPLICANT HOLDING A LEASE MAY SUBMIT AN APPLICATION TO INSTALL LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT. THE APPLICATION SHALL INCLUDE (1) A SCHEMATIC DRAWING OF THE PROPOSED SYSTEM, AND (2) SPECIFICATIONS OF THE MAJOR EQUIPMENT COMPONENTS. THE LESSEE SHALL AFFORD ACCESS TO ANY MANUFACTURER'S DRAWINGS AND EQUIPMENT SPECIFICATIONS OF THE MAJOR EQUIPMENT COMPONENTS WHICH THE COMMISSION MAY DEEM NECESSARY.
- (b) POSITIVE DISPLACEMENT METER INSTALLATIONS IN LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT SHALL COMPLY WITH SPECIFICATIONS OUTLINED IN THE LATEST REVISION OF AMERICAN PETROLEUM INSTITUTE CODE NO. 1101, UNLESS SPECIFICALLY MODIFIED WITH THE APPROVAL OF THE STATE LANDS DIVISION. THE EQUIPMENT SHALL INCLUDE A MEANS FOR PROPORTIONAL SAMPLING FOR SECURING LABORATORY TEST SAMPLES, OR A MEANS FOR QUALITY MEASUREMENT.
- (c) UPON DETERMINATION THAT ACCEPTABLE STANDARDS OF ACCURACY FOR MEASURING OIL SHIPMENTS HAVE BEEN OBTAINED, THE COMMISSION WILL APPROVE OIL SHIPMENTS BY LEASE AUTOMATIC CUSTODY TRANSFER.
- (d) THE EQUIPMENT SHALL BE MAINTAINED AND OPERATED IN A MANNER SO AS TO MEET THE ACCEPTED STANDARDS OF ACCURACY FOR THE MEASUREMENT OF OIL SHIPMENTS. USE OF THIS EQUIPMENT SHALL BE DISCONTINUED AT ANY TIME UPON DETERMINATION BY THE LESSEE OR THE INSPECTOR THAT THE STANDARDS OF MEASUREMENT OF ACCURACY OR QUALITY ARE NOT BEING OBTAINED.
- (e) THE OPENING AND CLOSING METER READINGS SHALL BE MADE WITH A STATE GAUGER PRESENT.

- (f) A MEMORANDUM OF TRANSFER (RUN TICKET) SHALL BE FURNISHED THE STATE FOR EACH RUN OF OIL WITHIN 24 HOURS OF THE COMPLETION OF SUCH RUN.
- (g) FOR EACH RUN OF OIL, A COPY OF OFFICIAL "GAUGER'S REPORT OF OIL RUN" WILL BE FURNISHED TO THE LESSEE.
- (h) WHERE APPROVED LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT IS IN OPERATION, THE PROVISIONS OF SECTIONS 2104, 2106(a), 2107 AND 2109 OF THIS TITLE ARE NOT APPLICABLE. WHERE CIRCUMSTANCES REQUIRE CONVENTIONAL GAUGING FOR CUSTODY TRANSFER, THE AFORESAID SECTIONS SHALL APPLY.

THIS ORDER SHALL TAKE EFFECT ON THE THIRTIETH DAY AFTER ITS FILING WITH THE SECRETARY OF STATE, AS PROVIDED IN SECTION 1422, GOVERNMENT CODE.

THE EXECUTIVE OFFICER IS AUTHORIZED TO FILE THIS AMENDMENT OF TITLE 2, CALIFORNIA ADMINISTRATIVE CODE, WITH THE SECRETARY OF STATE.

Attachment

Calendar Item 44 (2 pages)

CALENDAR ITEM

44.

AMENDMENT TO CALIFORNIA ADMINISTRATIVE CODE, TITLE 2, DIVISION 3, LEASE AUTOMATIC CUSTODY TRANSFER - W.O. 3344.

On October 5, 1959 (Minute Item 37, page 5337), the Commission authorized the Executive Officer to initiate procedures under the provisions of Section 11420, et seq., Government Code, for the addition of Section 2107.5 to Division 3, Title 2, of the California Administrative Code, Rules and Regulations of the State Lands Commission. The section proposed to be added related to Lease Automatic Custody Transfer; i.e., transfer of oil extracted from leased lands to the buyer through the use of automatic equipment rather than by manual gauging.

Pursuant to this authorization and in accordance with the statutory provisions of the Government Code, the proposed section was advertised in newspapers of general circulation at Los Angeles and at Sacramento on October 26, 1959. Additionally, interested members of the body public (in this case the oil industry) were notified of the proposed change in the rules. The notice provided that interested persons might present statements or arguments in writing relative to the proposed action on or before three o'clock p.m. on the 25th day of November, 1959.

As the result of this publicity, letters were received from the Richfield Oil Corporation; Texaco Inc.; Standard Oil Company of California, Western Operations, Inc.; and the Western Oil and Gas Association, all of whom suggested amendments or changes in the rules proposed to be adopted.

In view of this general public interest, a meeting was held with the industry representatives on February 2, 1960 in the offices of the State Lands Commission, at which time the proposed rules were reviewed in detail. The Commission was represented by members of its staff, while representatives from Humble Oil, Mobil Oil, Monterey Oil, Richfield Oil, Shell Oil, Signal Oil, Standard Oil, Phillips Petroleum, Western Gulf, and the Western Oil and Gas Association were present.

This conference resulted in a consensus on specific language for the rules. The rules hereafter recommended for adoption represent the culmination of this effort.

IT IS RECOMMENDED THAT THE COMMISSION ADOPT THE FOLLOWING:

AFTER PROCEEDINGS HAD IN ACCORDANCE WITH THE PROVISIONS OF THE ADMINISTRATIVE PROCEDURES ACT (GOV. CODE, TITLE 2, DIV. 3, PART 1, CHAP. 4), AND PURSUANT TO THE AUTHORITY VESTED BY SECTION 6108 OF THE PUBLIC RESOURCES CODE, AND TO IMPLEMENT, INTERPRET, OR MAKE SPECIFIC SECTIONS 6871, ET SEQ., OF THE PUBLIC RESOURCES CODE, THE STATE LANDS COMMISSION HEREBY AMENDS AND ADOPTS ITS REGULATIONS IN TITLE 2, CALIFORNIA ADMINISTRATIVE CODE, AS FOLLOWS:

CALENDAR ITEM 44. (CONTD.)

ADOPTS NEW SECTION 2107.5 TO READ:

2107.5. AUTOMATIC CUSTODY TRANSFER.

- (a) ANY APPLICANT HOLDING A LEASE MAY SUBMIT AN APPLICATION TO INSTALL LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT. THE APPLICATION SHALL INCLUDE (1) A SCHEMATIC DRAWING OF THE PROPOSED SYSTEM, AND (2) SPECIFICATIONS OF THE MAJOR EQUIPMENT COMPONENTS. THE LESSEE SHALL AFFORD ACCESS TO ANY MANUFACTURER'S DRAWINGS AND EQUIPMENT SPECIFICATIONS OF THE MAJOR EQUIPMENT COMPONENTS WHICH THE COMMISSION MAY DEEM NECESSARY.
- (b) POSITIVE DISPLACEMENT METER INSTALLATIONS IN LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT SHALL COMPLY WITH SPECIFICATIONS OUTLINED IN THE LATEST REVISION OF AMERICAN PETROLEUM INSTITUTE CODE NO. 1101, UNLESS SPECIFICALLY MODIFIED WITH THE APPROVAL OF THE STATE LANDS DIVISION. THE EQUIPMENT SHALL INCLUDE A MEANS FOR PROPORTIONAL SAMPLING FOR SECURING LABORATORY TEST SAMPLES, OR A MEANS FOR QUALITY MEASUREMENT.
- (c) UPON DETERMINATION THAT ACCEPTABLE STANDARDS OF ACCURACY FOR MEASURING OIL SHIPMENTS HAVE BEEN OBTAINED, THE COMMISSION WILL APPROVE OIL SHIPMENTS BY LEASE AUTOMATIC CUSTODY TRANSFER.
- (d) THE EQUIPMENT SHALL BE MAINTAINED AND OPERATED IN A MANNER SO AS TO MEET THE ACCEPTED STANDARDS OF ACCURACY FOR THE MEASUREMENT OF OIL SHIPMENTS. USE OF THIS EQUIPMENT SHALL BE DISCONTINUED AT ANY TIME UPON DETERMINATION BY THE LESSEE OR THE INSPECTOR THAT THE STANDARDS OF MEASUREMENT OF ACCURACY OR QUALITY ARE NOT BEING OBTAINED.
- (e) THE OPENING AND CLOSING METER READINGS SHALL BE MADE WITH A STATE GAUGER PRESENT.
- (f) A MEMORANDUM OF TRANSFER (RUN TICKET) SHALL BE FURNISHED THE STATE FOR EACH RUN OF OIL WITHIN 24 HOURS OF THE COMPLETION OF SUCH RUN.
- (g) FOR EACH RUN OF OIL, A COPY OF OFFICIAL "GAUGER'S REPORT OF OIL RUN" WILL BE FURNISHED TO THE LESSEE.
- (h) WHERE APPROVED LEASE AUTOMATIC CUSTODY TRANSFER EQUIPMENT IS IN OPERATION, THE PROVISIONS OF SECTIONS 2104, 2106(d), 2107 and 2109 OF THIS TITLE ARE NOT APPLICABLE. WHERE CIRCUMSTANCES REQUIRE CONVENTIONAL GAUGING FOR CUSTODY TRANSFER, THE AFORESAID SECTIONS SHALL APPLY.

THIS ORDER SHALL TAKE EFFECT ON THE THIRTIETH DAY AFTER ITS FILING WITH THE SECRETARY OF STATE, AS PROVIDED IN SECTION 11422, GOVERNMENT CODE.

THE EXECUTIVE OFFICER IS AUTHORIZED TO FILE THIS AMENDMENT OF TITLE 2, CALIFORNIA ADMINISTRATIVE CODE, WITH THE SECRETARY OF STATE.