

Decision No. 13816.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
HERMOSA-REDONDO WATER COMPANY  
for authority to reinstate that cer-  
tain indenture of lease made on the  
26th day of October, 1922, by and be-  
tween F. D. Cornell Company, a cor-  
poration, as lessor and James E. Bab-  
cock as lessee, and which said lease  
was cancelled in order that a deed  
of trust securing a bond issue of  
\$350,000.00 might be made a first  
lien upon the property of applicant.

Application No. 10200.

ORIGINAL

Bacigalupi and Elkus by Charles de Y. Elkus  
for applicant.

SEAVEY, Commissioner:

O P I N I O N

In this application the Hermosa-Redondo Water Company, a corporation, asks the Railroad Commission to reinstate a lease of the oil drilling rights and privileges on certain of its public utility properties located near the City of Hermosa Beach, in Los Angeles County, approval of which was given heretofore in Decision No. 10515, dated May 29, 1922, to the Hermosa Beach Water Corporation, predecessor in interest of applicant herein.

A public hearing in the matter was held in San Francisco on July 7, 1924.

Under authority granted by the Commission in Decision No. 10515 in Application No. 7553, the Hermosa Beach Water Corporation transferred the rights to prospect and drill for oil, gas and other

hydro-carbon substances underlying that certain real property owned by the said water company and more particularly described in the application therein, to the F. D. Cornell Company, a corporation, which rights in turn were transferred to James E. Babcock.

The Hermosa-Redondo Water Company acquired this water system by authority of the Railroad Commission in Decision No. 12963, and in order to release the said properties from all prior liens and other incumbrances for the purpose of issuing bonds it became incumbent upon the company to procure the cancellation of the outstanding rights heretofore granted for the drilling of oil. These matters having been accomplished the applicant now desires to reinstate the lease of the oil drilling and prospecting rights.

It appears that this application should be approved, subject to the conditions hereinafter set forth.

A consideration of the evidence presented in this proceeding, as well as the former Application No. 7553, leads to the conclusion that a slight modification of the restrictions limiting the area in which drilling shall be permitted should in all fairness be made. However, no change is considered advisable at this time in the requirements and conditions of the Commission's former order regarding the cementing in and sealing of the well casing for the necessary and proper protection of the water supply against possible contamination from oil and gas.

The following form of order is submitted:

#### O R D E R

Application having been filed with this Commission for permission to reinstate a certain indenture of lease entered into by authority heretofore granted by the Railroad Commission in its Decision No. 10515, authorizing the sale in place of the oil, gas

and other hydro-carbon substances, if any, underlying certain real property now owned by the Hermosa-Redondo Water Company, a public utility, public hearings having been held thereon, and the matter having been submitted,

IT IS HEREBY ORDERED that said applicant be and the same is hereby authorized to execute a lease similar to the proposed lease attached to the application herein and marked Exhibit "B", with such modifications as are required to conform with the following conditions:

1. No well for oil, gas or other hydro-carbon substances, shall be located within 300 feet of any well now existing or being drilled from which the Hermosa-Redondo Water Company obtains or seeks to obtain its water supply in whole or in part, unless otherwise directed by supplemental order of this Commission.
2. In the event that any well drilled pursuant to the authority herein granted in which water has been encountered, is abandoned as an oil or gas well, then such well, together with a complete string of casing properly installed and landed at a point below the chief water-bearing strata, shall become the property of the Hermosa-Redondo Water Company without cost or expense to said corporation.
3. Any well drilled for oil or gas upon the property of the Hermosa-Redondo Water Company shall be properly encased with an outside casing of not less than 20 inches diameter, to a depth sufficient to reach a hard foundation suitable for landing the casing and allowing the same to be cemented in by the usual and proper process employed for that purpose, but in any event, such casing shall be carried to a depth of not less than 500 feet. Within said outside casing there shall be installed an inner screw casing of a diameter not greater than 6 inches less than the diameter of the outside casing, and the space between the inner and outer casing shall be properly filled with cement for the entire depth of the outside casing, and the top of said casings shall be anchored in a suitable manner with a solid block of concrete and properly tied in with anchor rods. The installation of said casings and compliance with this condition in all particulars shall be carried

out under the direct supervision of the State Oil and Gas Supervisor, and shall, in all particulars not herein specifically set forth, be done in accordance with the orders of said Supervisor.

4. The foregoing conditions, 1 to 3, inclusive, shall be embodied in the provisions of the deed or other instrument used for the transfer of the property or rights therein as herein authorized, and shall be made binding upon any and all successors in interest to the parties thereto.
5. At the time of the transfer herein authorized James E. Babcock shall deliver to Hermosa-Redondo Water Company an indemnity bond executed by a surety company and approved by this Commission, in the sum of not less than \$10,000.00, for the indemnification of the Hermosa-Redondo Water Company for any diminution or contamination of its water supply or damage to its property, or any part thereof, used and useful in the performance of its duties as a public utility water corporation which may result from any act or operation of James E. Babcock, or his successors in interest, in their use of the property herein authorized to be conveyed.
6. Within thirty (30) days after its execution, Hermosa-Redondo Water Company shall file with the Railroad Commission a certified copy of the deed or agreement under which said transfer is made.
7. The authority herein granted shall apply only to such conveyance as shall have been made on or before November 1, 1924.
8. The consideration given for the transfer of said public utility rights shall not be urged before this Commission or any other public body as a finding of the value of said rights for any purpose other than the transfer herein authorized.

The effective date of this order is hereby fixed as twenty (20) days from the date hereof.

The foregoing opinion and order are hereby approved and

ordered filed as the opinion and order of the Railroad Commission  
of the State of California.

Dated at San Francisco, California, this 18<sup>th</sup> day  
of July, 1924.

H. B. Blanding

Dwight Masterson

J. T. Whitney  
Commissioners.