

Decision No. 23954.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) IRVINE PIPE LINES, LTD.,) for an order authorizing issue of) stock and bonds.)	Application No. 17472
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Cyril C. Lotz, for applicant.

ORIGINAL

BY THE COMMISSION:

O P I N I O N

Irvine Pipe Lines, Ltd., asks permission to issue and sell for the purposes hereinafter stated \$150,000.00 par value of common stock and \$50,000.00 of seven percent five year convertible debenture bonds.

Irvine Pipe Lines, Ltd., was organized under and by virtue of the laws of the State of California. It was organized for the purpose, among other things, to engage in the transportation of oil, gas, or other mineral products, either produced by it or other persons or corporations, by means of pipe lines, boats, barges or other conveyances. It has an authorized stock issue of \$200,000.00 divided into 8,000 shares of the par value of \$25.00 each. All of the stock is common stock. Its articles of incorporation provide that the shareholders shall have no preemptive right to subscribe to any issue of shares. The articles further provide that the private property of the stockholders of the corporation shall not be liable for any of the obligations of the corporation, and there shall never be any stockholders' liability on account of or because of the ownership of stock of the corporation.

Applicant proposes to construct forthwith a six inch pipe line for the public transportation of oil from the intersection of Oceano Avenue and Cliff Drive, in the City of Santa Barbara, State of California, westerly on said Cliff Drive beyond the boundary line of said city to the La Positas Road in the County of Santa Barbara, thence, in said County of Santa Barbara northerly on said La Positas Road to the Modoc Road; thence westerly, in said county, to the State Highway, thence westerly, in said county, on said State Highway to the private road on the Bishop Ranch; thence southerly, on the private road on said Bishop Ranch to the Beach, where connection is to be made with the Bank Line Oil Company's pipe line, a distance of about 66,000 feet. Applicant further proposes to construct and erect a collecting tank or tanks at the intake end of the pipe line, and storage tanks at the beach terminal of the line, for public use and storage of oil in the process of its transportation over its proposed pipe line. It will also install the necessary pumps and other equipment for the proper transportation and storage of oil.

The estimated cost of the pipe line, tanks, pumps and other necessary equipment is reported in Exhibit "A" as follows:

66,000 ft. Seamless 6" pipe @ 68¢ f.o.b. Los Angeles (bid)	\$44,880.00
Delivery and distribution of above, 820 tons @ \$5. (bid)	4,100.00
Welding and placing in trench @ 7¢ per ft. (bid)	4,620.00
Testing of line and repairs (estimate)	500.00
Ditching and backfill @ 17¢ per ft. (bid)	11,220.00
Resurfacing and mechanical tamping (contractor's estimate)	2,500.00
Water for testing tanks and line and for ditch settling where necessary (estimate)	1,500.00
Bore across Southern Pacific Right-of-way, two crossings, (contractor's estimate)	800.00
1- 200 barrel Fuel Tank, installed (bid)	500.00
*1-15,000 barrel collecting tank, installed:	
Purchase price of tank	\$500.00
Freight, 50 tons @ \$7.50 per ton	
Suisun to Santa Barbara	375.00
Loading and unloading @ \$5./ton	250.00
Knocking down and re-erection (bid)	1200.00
Preparing site, rivets, extras (est)	800.00
	3,125.00

*1- 37,500 barrel storage tank, installed:		
Purchase price of tank	1,000.00	
Trucking 100 tons @ \$5. per ton, Los Angeles to Santa Barbara	500.00	
Knocking down and re-erection (bid)	3,000.00	
Preparing site, rivets, extras (est)	<u>1,400.00</u>	\$5,900.00
*1-55,000 barrel storage tank, installed:		
Purchase price of tank	1,750.00	
Freight, 140 tons @ \$7.50 per ton- Suisun to Santa Barbara.....	1,050.00	
Loading and unloading @ \$5./ton....	700.00	
Knocking down and re-erection (bid)	5,000.00	
Preparing site, rivets, extras (est)	<u>2,000.00</u>	10,500.00
Sub-total.....		<u>\$90,145.00</u>
1- Heating system for collecting tank (estimate)		800.00
2- 100 H.P. Boilers, with accessories, installed (over-all bid for complete power unit)		13,500.00
1- Dow Heavy Duty Line Pump 18x6x12 (bid)		5,000.00
Power House (estimate)		2,500.00
Cement floors and machinery bases (estimate)		1,200.00
Valves, gauges, miscellaneous, contingencies		8,105.00
Engineering and supervision @ 3 percent.....		<u>3,750.00</u>
TOTAL.....		<u>\$125,000.00</u>

*Estimate includes purchase price, knocking down, transportation and re-erection of used tanks in perfect condition, now held under option by Irvine Pipe Lines, Ltd.

It appears from the record that James Irvine or applicant Irvine Pipe Lines, Ltd., which he has caused to be organized, acquired from the City of Santa Barbara, from the County of Santa Barbara and the Department of Public Works, Division of Highways, of the State of California, franchises and a permit to occupy public streets or highways for the purpose of constructing, operating and maintaining an oil pipe line. The franchises require the grantee during the life of said franchises to maintain and operate said pipe line with all incidental facilities, fixtures, tanks, and equipment required in connection therewith as a common carrier for the commercial transportation, handling and shipping of oil. He also secured a contract from the Bank Line Oil Company under the terms of which that company permits him to use its sea loading line, and, leased on behalf of applicant, about one acre of land from R. F. Pinkham and Maude

R. Pinkham, on which to erect in Santa Barbara, collecting and storage tanks and other necessary equipment. He testified that he has incurred a substantial expense in securing the aforesaid franchises, permits, contract and lease and has found it necessary to devote more than a year's time to bring the project to its present state of development. For his services and in consideration for the transfer and assignment to applicant of the franchises, rights of way, contracts and lease, applicant asks permission to issue to said James Irvine \$50,000.00 of stock.

The company asks permission to issue 4,000 shares of stock at \$25.00 per share and use twenty percent of the proceeds to pay selling expenses including commissions. On this basis it would realize \$80,000.00 from stock sales. It also asks permission to issue \$50,000.00 of seven percent five year convertible debenture bonds at par less a selling cost, inclusive of commissions, of ten percent. The trust indenture under which the bonds will be issued provides that it shall be a first lien on the company's properties and that the company shall deposit annually with the trustee for sinking fund purposes, an amount equal to two cents for each barrel of oil transported through the pipe line, but in no event less than \$10,000.00 per annum. This provision obligates the company to deposit with the trustee a sum sufficient to pay the bonds on or before maturity. The company reserves the right to redeem the bonds on any interest payment date, by paying the holder thereof the face value of said bonds, the accrued interest thereon and a premium of five percent.

Exhibit "F" shows that there are at present four producing wells in the La Mesa district, which will be served by the proposed pipe line. Three additional wells have been completed and are ready to be put on a production basis. All of these wells are said to

produce 2200 barrels of oil daily. Additional wells are being drilled. It is estimated that upon the completion of the pipe line applicant will have a daily revenue of \$200.00. On this basis its annual revenue will amount to \$73,000.00. Its yearly expenses are reported at \$14,500.00, leaving estimated net revenue of \$58,500. to pay interest and dividends.

We have considered the evidence submitted by applicant and believe that its requests should be modified in the following particulars:

- a. The rate of interest on the bonds should be reduced from seven to six percent per annum.
- b. The amount of stock proceeds that may be used to pay stock selling expenses and commissions should be reduced from twenty percent to fifteen percent.
- c. The amount of stock that applicant may issue to James Irvine for the purposes set forth in this application should be reduced from 2000 shares to 1000 shares.
- d. The name of the bond should be changed from "seven percent convertible gold debenture bonds" to six percent convertible first mortgage bond.

We are further of the opinion that the company should expend, for the purposes herein stated, the proceeds from the issue and sale of at least \$50,000.00 of stock before it undertakes to issue and sell any bonds. When it sells any bonds it should have some properties to secure the payment of the bonds.

ORDER

The Commission having considered the evidence submitted at the hearing had before Examiner Fankhauser and being of the opinion that the money, property or labor to be procured or paid for by the issue of the stock and bonds herein authorized is reasonably required by applicant for the purposes herein stated, and that the

expenditures for such purposes are not in whole or in part reasonably chargeable to operating expenses or to income, therefore,

IT IS HEREBY ORDERED as follows:

1. Irvine Pipe Lines, Ltd. may issue and sell for cash at not less than par, after the effective date hereof, and prior to December 31, 1931, \$100,000.00 par value (4,000 shares) of common stock and may use, if necessary, fifteen percent of the proceeds to pay commissions and expenses incident to the issue and sale of said stock. The remainder of the proceeds, together with such part of the said fifteen percent as may not be needed for the aforesaid purposes, shall be used to pay in part the cost of constructing the pipe line and appurtenances described in Exhibit "A" filed in this proceeding.

2. Irvine Pipe Lines, Ltd. may issue and deliver at par to James Irvine, \$25,000.00 par value (1000 shares) of common stock on condition that said James Irvine assign to said Irvine Pipe Lines, Ltd. without any further consideration, the franchises, contract, permit and lease filed in this proceeding as Exhibits "B", "C", "D", "H" and "I" and pay all expenses incurred by him in obtaining said franchises, contract, permit and lease.

3. Irvine Pipe Lines, Ltd. may, after the effective date hereof and prior to December 31, 1931, issue and sell for cash at a net price of not less than ninety percent of their face value and accrued interest, \$50,000.00 of six percent convertible first mortgage bonds and use said net proceeds to pay in part the cost of constructing the pipe line and appurtenances described in Exhibit "A" filed in this proceeding. The difference between the actual selling price of said bonds and the aforesaid net price may be used by said Irvine Pipe Lines, Ltd. to pay expenses incident to the issue and sale of said bonds.

4. Irvine Pipe Lines, Ltd. may execute a trust indenture substantially in the same form as the trust indenture filed in this proceeding as Exhibit "E", provided that said indenture shall be changed to conform with the opinion preceding this order as to the interest rate and name of bonds, the payment of which will be secured thereby; and provided further, that the authority herein granted to execute a trust indenture is for the purpose of this proceeding only, and is granted insofar as this Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said trust indenture as to such other legal requirements to which said trust indenture may be subject.

5. The authority herein granted to issue and sell stock and execute a trust indenture will become effective fifteen (15) days after the date hereof.

6. The authority herein granted to issue and sell bonds will become effective after applicant has paid the fee prescribed by Section 57 of the Public Utilities Act, which fee is Fifty(\$50.) Dollars, and after applicant has issued and sold at least \$50,000. of the stock referred to in subdivision one of this order.

7. Irvine Pipe Lines, Ltd. shall keep such record of the issue, sale and delivery of the stock and bonds herein authorized and of the disposition of the proceeds as will enable it to file on or before the 25th day of each month a verified report, as required by the Railroad Commission's General Order No. 24, which order insofar as applicable, is made a part of this order.

8. This application insofar as it involves the issue of \$25,000.00 of common stock, be, and the same is hereby, dismissed

without prejudice.

DATED at San Francisco, California, this 17th day of
August, 1931.

Clarence
Leon Whitney

M. B. Harris

Frederic G. Stearns

Commissioners.

Fee \$50.⁰⁰/₁₀₀

RAILROAD COMMISSION
STATE OF CALIFORNIA

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