

Decision No. 11265.

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.  
-----

In the Matter of the Application of  
NORTHERN OIL COMPANY, a corporation,  
to sell, and KERN SUNSET OIL COMPANY,  
a corporation, to purchase, the Water  
Works of said NORTHERN OIL COMPANY.

Application No. 8275.

ORIGINAL

Chaffee E. Hall, for the Northern Oil Company.  
J. W. Wiley, for the Kern Sunset Oil Company.

BY THE COMMISSION.

O P I N I O N

The above entitled matter is a joint application of the Northern Oil Company to sell and the Kern Sunset Oil Company to purchase a certain water system serving water for industrial purposes in and about the town of Maricopa, Kern County, California.

A public hearing in this matter was held in Bakersfield before Examiner Satterwhite, of which all consumers were notified and given an opportunity to be present and be heard.

It appears that the Kern Sunset Oil Company leased to Charles A. Son on September 14th, 1908, for a term of years ending July 1st, 1928, the Northeast Quarter of the Northeast Quarter of Section 12, Township 11 North, Range 24 West, S.B.M., together with certain specified rights and privileges which included the right to drill for oil and water and to construct pipe lines and other necessary structures.

In consideration of the above mentioned lease and privileges, the lessee, Chas. A. Son, among other requirements, was to drill and complete and put into production in paying quantities not less than two wells in each year, of a depth of eighteen hundred feet unless oil in paying quantities was discovered at a lesser depth, until eight wells had been finished and brought into production. Also on or before the fifteenth day of each and every month there was to be paid to the Kern Sunset Oil Company a royalty amounting to one-fifth part of the gross income derived from operating the property. Upon the violation of any of the covenants of the lease all tools, machinery, structures and equipment on the leased property were to revert to the Kern Sunset Oil Company.

On September 17, 1908, Charles A. Son assigned to the Northern Oil Company all of his right, title and interest in this lease.

The Northern Oil Company commenced drilling operations in accordance with the terms of the lease, but instead of obtaining oil, encountered water in abundant quantity and, by agreement, it was decided to install pipe lines for the distribution and sale of water for industrial purposes.

It was brought out at the hearing that the company was able to pay royalties and make a profit from the sale of water until about 1918. Business dropped off in 1919 and in October, 1920, the company was unable to pay the royalty due for that month, and this condition continued until September 1, 1921, when the Kern Sunset Oil Company took possession of the plant and equipment as provided by the terms of the lease, and has been operating the system since that time, supplying all consumers. The pipe lines not on the property covered by the lease did not revert to the Kern Sunset Oil Company, so an agreement to sell these lines was entered into by the two companies, subject to the approval of this Commission, whereby the Northern Oil Company is to receive \$12,000 for all lines and equipment

not on the land under lease, payments to be made in the following manner:

First: On September 1, 1921, a sum equivalent to all royalties due the Kern Sunset Oil Company on that date, amounting to \$4667.36.

Second: The balance in monthly installments of Four Hundred (\$400) Dollars each, commencing on the first day of March, 1922, with interest on deferred payments at the rate of six (6%) per cent per annum from March 1, 1922, until the full amount of the purchase price be paid.

It appears that all payments on the purchase price of \$12,000 will have been completed on or before September 1, 1923. As the Kern Sunset Oil Company intends to continue to operate the plant and supply all consumers formerly served by the Northern Oil Company, it appears to be for the best interests of all concerned that this transfer be authorized.

#### O R D E R

Application having been made to the Railroad Commission, as entitled above, for authority to transfer public utility property, a public hearing having been held thereon and the Railroad Commission being of the opinion that the application should be granted;

IT IS HEREBY ORDERED that the Northern Oil Company be and it is hereby authorized to sell and the Kern Sunset Oil Company be and it is hereby authorized to purchase all the water properties formerly owned or operated by the Northern Oil Company, upon the conditions set forth in the agreement of sale, attached to and made a part of the above application and designated as "Exhibit B",

IT IS HEREBY FURTHER ORDERED that the authority herein granted shall be upon the following conditions, and not otherwise:

1. The authority herein granted shall apply only to such transfer as shall have been completed on or before December 1, 1923.
2. The consideration given for the transfer of said system shall not be urged before this Commission or any other public body as a finding of the value of said property for rate fixing or any purpose other than the transfer herein authorized.
3. On or before December 31, 1923, the Kern Sunset Oil Company shall file with this Commission a certified copy of the final instrument of conveyance covering this transaction.

Dated at San Francisco, California, this 4<sup>th</sup> 3<sup>rd</sup>  
day of November, 1922.

H. B. Sandigo  
W. J. Martin  
Charles F. Jones  
M. J. Hendon

Commissioners.