

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
the MIDWAY GAS COMPANY, for an order)
cancelling Schedule No. A-5 of Sched-)
ules of Rates of the Midway Gas)
Company, and approving contract dated)
September 1, 1922 with the General)
Petroleum Corporation.)

Application No. 8421

BY THE COMMISSION.

O R D E R

Midway Gas Company has filed with the Railroad Commission a formal application requesting approval of a certain contract entered into between Midway Gas Company and General Petroleum Corporation, under date of September 1, 1922, which provides for the sale by Midway Gas Company of surplus natural gas from its main transmission line to the Lebec topping plant of General Petroleum Corporation, which is situated on the route of said transmission line of Midway Gas Company. A copy of aforementioned contract has been duly filed with the Railroad Commission.

General Petroleum Corporation has, for a period of years, been purchasing natural gas for use at its topping plant from Midway Gas Company in accordance with the terms of a certain contract, now expired, and heretofore filed with the Railroad Commission in connection with applicant's schedule of rates and designated as Schedule No. A-5 thereof. The provision of the new contract for which approval is now asked would set aside and cancel the former contract and schedule of Midway Gas Company No. A-5.

Evidence indicates that Midway Gas Company has not at the present time a market for all of the natural gas that it can transport, and it is therefore desirous of selling such surplus natural gas as it may have. Further, the General Petroleum Corporation is desirous of using gas fuel at its topping plant, provided the same can be purchased at a rate which compares favorably with the price of fuel oil. Recent changes in the price of fuel oil and in applicant's operating costs have made necessary a modification of the rates set forth in Schedule No. A-5. The proposed new contract provides for a variable rate for gas, depending upon the market price of oil. Investigation shows that natural gas has a definite fuel value in comparison with crude oil, and the rates set forth in the proposed new contract are more nearly in accord with the equivalent cost of ^{oil} fuel than were the rates established by Schedule No. A-5.

The rate herein provided is a minimum of 14 cents per thousand cubic feet for natural gas when the field price offered by Standard Oil Company of California of crude oil of a gravity of 17.9° or under Baumé is 84 cents per barrel or less. If the price of oil increases above 84 cents per barrel the price of gas is to increase 1/2 cents per thousand cubic feet for each 4 cent increase per barrel in the price of crude oil above 84 cents per barrel, the maximum price of gas, however, being limited to 25 cents per thousand feet. This schedule of rates tends to result in a slight benefit to the General Petroleum Corporation with increasing oil costs as the gas rate increases less rapidly than oil prices.

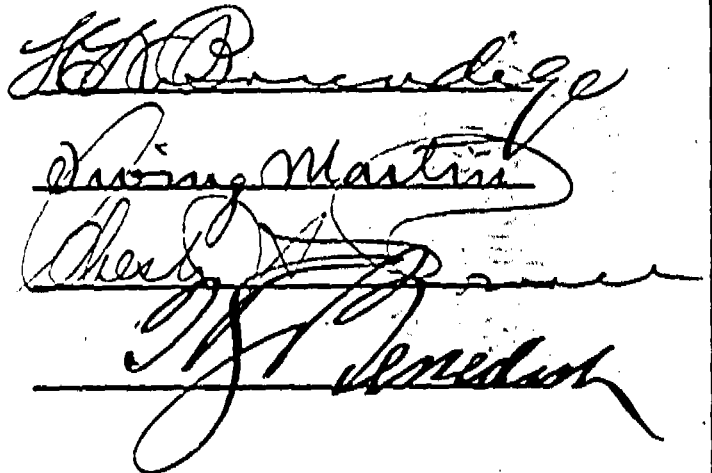
From the showing made by applicant and the investigation by the Commission of the facts and circumstances involved, it appears, and the Commission hereby finds, that the proposed rates

are reasonable and the acceptance of the new contract is justified.

IT IS HEREBY ORDERED, that the contract dated September 1, 1922 between Midway Gas Company and General Petroleum Corporation for the sale and purchase of natural gas be, and hereby is, approved and accepted for filing with the Railroad Commission of the State of California.

IT IS HEREBY FURTHER ORDERED, that Schedule No. A-5 of the Schedule of Rates of the Midway Gas Company as previously filed with the Railroad Commission be cancelled.

Dated at San Francisco, California, this 5th day of December, 1922.

The block contains four handwritten signatures in cursive script, each written over a horizontal line. The signatures are: 1. H. B. ... 2. ... Martin ... 3. ... 4. ...

Commissioners.