

ORIGINAL

In the matter of the application of  
COALINGA PIPE LINE COMPANY for a  
certificate of public convenience  
and necessity authorizing the sale  
of Natural Gas in the city of  
Coalinga.

Application No. 1025.

B. I. Potter for applicant.  
H. S. Richmond, City Attorney, for city of Coalinga.  
G. W. Satchell, R. C. Baker and A. E. Webb  
for Coalinga Gas and Power Company.

THELEN, Commissioner.

O P I N I O N.

This is an application by the Coalinga Pipe Line Company, under the provisions of Section 50 of the Public Utilities Act, for a certificate declaring that the present and future public convenience and necessity require and will require the construction by applicant of a pipe line within the limits of the city of Coalinga for the purpose of selling natural gas within the city limits.

The natural gas is produced from a well located on the southwest 1/4 of the southeast 1/4 of Section 35, Township 20 South, Range 14 East, M. D. B. and M., a distance of some 17,500 feet from the city of Coalinga. This property is owned by Traders Oil Company, who have leased the same to B. I. Potter for a period of 20 years from February 14, 1912. Mr. Potter has been sinking wells for oil on this property. On August 18, 1913, when well No. 4 had been drilled to a depth of 508 feet, the well came in with natural gas at the rate of about three million cubic feet of gas per day. The well stood up for about two weeks, at which time water broke in. After repeated efforts, the water has finally been shut off, although there is now quite a lot of water still in the bottom of the well. In the middle of December, the gas pressure fell off considerably. Since that time, the pressure has been fairly steady at about 80 pounds when the well is shut it. Mr. Potter estimates that at a 20-pound pressure the well will be able to deliver some 100,000 to 150,000

cubic feet of gas per day.

On November 6, 1913, Mr. Potter entered into a contract with the Coalinga Pipe Line Company, a copy of which contract is attached to the petition in this proceeding.

The Coalinga Pipe Line Company was incorporated under the laws of this State on October 27, 1913, for the purpose of owning, operating, leasing and controlling one or more pipe lines in this State, to carry on the business of conveying oil, gas or any other product or by-product of the oil or gas industry, which may be conveyed by pipe lines, and for the purpose of marketing and selling the same. The authorized capital stock consists of 20,000 shares of the par value of \$1.00 each, of which no shares have hitherto been issued except one to each of the three directors. Before additional shares can be issued it will be necessary to secure the authority of this Commission, as provided by Section 52 of the Public Utilities Act.

In said contract between Potter and the Coalinga Pipe Line Company, Potter agrees to sell and the Pipe Line Company agrees to buy all the natural gas developed on the tract of land hereinbefore described, "at 8¢ per thousand feet for all gas sold to consumers at the rate of 25¢ or more per thousand cubic feet and 4 1/2¢ per thousand cubic feet for all gas sold to consumers at less than 25¢ per thousand cubic feet." After certain provisions with reference to the payment of royalty by Potter to the Traders Oil Company, the contract provides that the Pipe Line Company will construct a 2 1/2 inch pipe line from the property to Coalinga, and will install a compressor and electric plant of the necessary capacity for this service and will lay service pipes "to all consumers within a radius of 5 miles from the well whose gas bills will pay for the cost of installing service pipes, within one year." The contract is to remain in effect during the life time of the 20-year lease held by Potter.

Mr. Potter testified that the cost of drilling the well in which natural gas was found was between \$3500 and \$4000, and that

the following amounts have been spent up to March 1, 1914, in the construction of the pipe line from the well to Coalinga and in the installation of a compressor and electric plant on the pipe line at a distance of about 500 feet from the well:

Pipe line - 17,530 ft.-2.1/2 inch.....	\$2278.90
Compressor and electrical plant.....	821.28
Freight and hauling.....	1408.35
Labor, pipe being laid 18 inches under ground...	2393.35
Supplies and fittings.....	491.81
Meters.....	120.00
Miscellaneous expenses.....	531.00
Total.....	<u>\$8044.69</u>

The pipe line has been completed to within a few feet of the gas plant of the Coalinga Gas and Power Company, located within the city of Coalinga. Coalinga Pipe Line Company now proposes to deliver all its natural gas to the Coalinga Gas and Power Company at the rate of 30¢ per thousand cubic feet and the Coalinga Gas and Power Company desires to enter into this arrangement and to distribute the natural gas to its customers for use for domestic purposes.

Coalinga Gas and Power Company manufactures artificial gas in its plant in the city of Coalinga, and at the present time has some 460 customers, all located within the city and all consuming gas for domestic purposes only. G. W. Satchell, the company's manager, testified that 15 months ago his company had 550 customers, but that owing to a temporary falling off in ~~mining~~ activity in the Coalinga oil field, the number of consumers of gas had decreased. The company's charge for artificial gas is \$2.00 for 5,000 cubic feet of gas or under, delivered in any one month, less a discount of 25¢ if the bill is paid before the 15th day of the ensuing month, and \$1.75 for over 5,000 cubic feet of gas consumed per month, less a similar discount of 25¢ per thousand cubic feet of gas if the bill is paid before the 15th day of the ensuing month. Mr. Satchell testified that all persons at present using gas for lighting purposes

use incandescent burners, so that the only change in the consumers' appliances which will be necessary in case natural gas is substituted for artificial gas will be a slight change in the customers' valves, which can readily be made by the company's employees.

The witnesses at the hearing, which was held at Coalinga on April 2, 1914, testified that there have been but slight traces of natural gas in the vicinity of the Potter well, but that several million cubic feet per day are produced in conjunction with oil in a well on what is known as the Turner lease, distant some 9 miles in another direction from the city of Coalinga. No steps have as yet been taken to pipe this gas to Coalinga.

The life of the Potter well is at best problematical. Because of the uncertainty of the life of this well, it will be necessary for the local company to keep its artificial gas plant in readiness for service at any time.

This proceeding does not involve the rates charged by the Coalinga Gas and Power Company for gas, either artificial or natural, sold to its consumers in the city of Coalinga. If that question is ever presented to this Commission by the city of Coalinga, or otherwise, the Commission will at that time carefully investigate this question.

The only matter involved in the present proceeding is whether the Coalinga Pipe Line Company should be permitted to construct its pipe line in the city of Coalinga for the delivery of natural gas to the Coalinga Gas and Power Company for distribution by that company to its customers. The natural gas developed in the oil fields of this State has an average efficiency of at least 60% in excess of that of artificial gas. The consumers of gas in localities to which this natural gas may be piped have a right to the use of this superior gas. It may also transpire, in most of these cases, that <sup>the</sup> much lower cost of the natural gas to the public utility supplying the same will ultimately result in the reduction of the

rate to the consumer. Even if the gas in the Potter well should hold up for only a relatively short period of time, the people of Coalinga are entitled to the use of this superior gas ~~until~~ during such period.

I accordingly find that the public convenience and necessity require and will require the construction by Coalinga Pipe Line Company of its pipe line within the city of Coalinga for the supply of natural gas within the city and recommend that the application be granted. If this pipe line crosses any public streets in the city of Coalinga, application for a franchise should be made to the city of Coalinga and application to this Commission for authority to exercise the same should thereafter be made, under the provisions of Section 50 (b) of the Public Utilities Act.

I submit herewith the following form of order:

#### O R D E R.

COALINGA PIPE LINE COMPANY having applied to this Commission for an order authorizing the construction of a pipe line for the supply of natural gas within the city of Coalinga, and a public hearing having been held on said application, and the COALINGA GAS AND POWER COMPANY having appeared at the hearing and requested that the application be granted, and no person having appeared in opposition thereto,

THE RAILROAD COMMISSION HEREBY DECLARES that public convenience and necessity require and will require the construction by Coalinga Pipe Line Company of its pipe line within the city of Coalinga for the delivery of natural gas to Coalinga Gas and Power Company, for distribution by the latter company to its patrons. Nothing in this order contained shall be construed to authorize the Coalinga Pipe Line Company to construct a distributing system within the city of Coalinga for the sale of natural gas to the inhabitants

of Coalinga in competition with any other public utility at present supplying gas to the inhabitants of Coalinga.

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 14th day of April, 1914.

John M. Kershman  
Max Shelen  
Edwin O. Edgerton  
Commissioners.