

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

ORIGINAL

Application No. 1246.

In the matter of the applica-)
 tion of Valley Pipe Line Company)
 for authority to issue stock.)

A. C. Greene, for applicant.

LOVELAND, Commissioner.

OPINION

Valley Pipe Line Company was organized on April 16, 1914 primarily for the purpose of engaging in the business of transporting petroleum and its products. It now makes application to this Commission for authority to sell 53,184 shares of its capital stock of the par value of \$100 per share, or a total par value of \$5,318,400. It proposes to sell this stock at \$80 per share, realizing therefrom the sum of \$4,254,720. It is the intention of the applicant to construct a pipe line from the property of the California Oil Fields, Limited, near Coalinga, Fresno County, to Martinez, on San Francisco Bay, in Contra Costa County, a distance of approximately 174 miles. The applicant has submitted estimates to this Commission tending to establish that the cost of such a pipe line with its necessary appurtenances would be \$4,254,720.

The control of applicant is to be vested in the same interests which control the California Oil Fields, Limited, which owns a rich section of oil territory in Fresno County. It is in testimony that the California Oil Fields, Limited, has a potential output of 20,000 barrels per day. Some of the wells are now capped awaiting the construction of the pipe line. It is proposed to construct a pipe line of a capacity of 15,000 barrels per twenty-four hours which will be used to transport the petroleum from the California Oil Fields, Limited, to Martinez, where a refinery

will be erected to handle the oil thus conveyed. Mr. Wynn Meredith one of the engineers engaged upon the project for the applicant, testified that two-thirds of the pipe would be eight inches in diameter, and the balance ten inches.

The so-called "Hot System" will be employed, and eleven pumping stations will be installed. The applicant is now engaged in purchasing rights of way and has not determined finally upon the route which the line will follow.

Valley Pipe Line Company has an authorized issue of 100,000 shares of the par value of \$100 per share, or a total of \$10,000,000 par value. It has issued five shares for the purpose of qualifying directors.

The applicant has been brought into being by the Anglo-Saxon Petroleum Company, a British corporation which, in turn, is owned by the Schell Transport & Petroleum Company and the Royal Dutch Petroleum Company. The applicant requests that its stock be issued at \$80 per share to the Anglo-Saxon Petroleum Company. Testimony was introduced to the effect that while the Anglo-Saxon Petroleum Company planned to purchase all of the stock at this price, the unusual circumstances created by the European war might entail some alteration of these plans, and it was desired, therefore, to have the stock issued at a figure which would make it more readily salable if offered to outside parties.

Applicant has not submitted in detail the estimates of its construction costs. These estimates, however, are now in process of compilation.

In the application herein and at the hearing thereon application was also made for a further issue of ⁵⁰⁰⁰500,000 shares of stock for promotion services of the Anglo-Saxon Petroleum Company. The details comprising these services were not definitely presented, and the application as to the \$500,000 of stock will accordingly be denied without prejudice, pending a proper showing as to promotion services rendered.

A protest was entered in this case by Mr. Joel A. Hayes, of Oakland, but as this protest was later withdrawn, it need not be given further consideration.

It appears that the interests which will control these pipe lines will be identical with the interests controlling the California Oil Fields, Limited, the oil properties from which the petroleum will come, the proposed refinery and the selling agencies which will handle and distribute the refined product.

I believe a proper showing has been made that the construction of the pipe line is needed in connection with the petroleum business of the interests which control this applicant. I shall recommend that the application be granted, but believe the actual issue of the stock should be made from time to time as the work progresses and as detailed statements of estimates or of costs are filed with this Commission.

It is proper to state that while making this application, Valley Pipe Line Company reserved all of its rights to contest the jurisdiction of this Commission over its affairs.

I therefore submit the following form of order:

ORDER

Valley Pipe Line Company having applied to this Commission for authority to issue 53,184 shares of capital stock of the par value of \$100 per share and to use the proceeds for the purpose of constructing an oil pipe line from the lands of the California Oil Fields, Limited, near Coalinga, Fresno County, to Martinez, Contra Costa County, on San Francisco Bay, with necessary appurtenances,

And a hearing having been held and it appearing that the purposes for which applicant proposes to issue said stock are not in whole or in part chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Valley Pipe Line Company be granted authority to issue 53,184 shares of its capital stock of the par value of \$100 per share.

The authority herein given is given upon the following conditions and not otherwise:

1. The applicant shall sell said stock at not less than \$80 per share, this minimum being fixed in view of disturbed European conditions which may necessitate a re-sale of a portion of this stock by the Anglo-Saxon Petroleum Company.

2. The proceeds derived from the sale of said stock shall be used for the purpose of constructing an oil pipe line from the lands of the California Oil Fields, Limited, near Coalinga, Fresno County, to Martinez, Contra Costa County, on San Francisco Bay, in accordance with general plans and specifications as outlined in the application herein.

3. None of the stock herein authorized to be issued shall be issued until the applicant shall have filed detailed estimates of cost or actual statements of costs with this Commission, and shall have received a supplemental order from this Commission authorizing the issue of stock in specified amounts as against these detailed estimates of costs or statements of actual cost.

4. Applicant may, without further order from this Commission, issue to Anglo-Saxon Petroleum Company 650 shares of stock in payment for advances in the sum of \$52,000 made by said Anglo-Saxon Petroleum Company.

5. Valley Pipe Line Company shall keep separate, true, and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock hereby authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Commission stating the sale or sales of said stock during the preceding month, the terms and conditions of the sale, the moneys realized therefrom, and the use and application of such moneys, all in accordance with this Commission's General Order No. 24, which order, in so far as applicable, is made a part of this order.

6. The authority herein given is given as to such stock as shall have been issued on or before September 15, 1915.

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 19th day of September, 1914.

John M. Eschleman
H. D. Loveland

Max Thelen

Commissioners.