

Decision No. 3350

ORIGINAL

Decision No. 3350BEFORE THE RAILROAD COMMISSION  
OF THE STATE OF CALIFORNIA.

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In the Matter of the Application of  
VALLEY NATURAL GAS COMPANY for an  
order authorizing it to execute a  
deed of trust to Anglo-California  
Trust Company to secure a bonded in-  
debtedness in the sum of \$2,000,000.00,  
to issue \$378,000.00 par value of bonds,  
to issue 2000 shares of preferred stock,  
to issue 1000 shares of common stock,  
to issue a promissory note for \$250,000.00  
and to pledge securities to secure the  
payment of said promissory note.

Application No. 2172.

In the matter of the Application of  
CALIFORNIA NATURAL GAS COMPANY and  
VALLEY NATURAL GAS COMPANY for an order  
authorizing CALIFORNIA NATURAL GAS COM-  
PANY to sell to VALLEY NATURAL GAS COM-  
PANY all and singular its property and  
assets and of VALLEY NATURAL GAS COM-  
PANY to purchase the same.

Application No. 2173.

Lilienthal, McKinstry & Raymond by Joseph Haber, Jr.,  
for Valley Natural Gas Company.  
Pillsbury, Madison & Sutro by H. D. Pillsbury  
for California Natural Gas Company.

THELEN, Commissioner.

## O P I N I O N

By consent of all parties, given at the public hearing  
held herein in San Francisco on April 24, 1916, the above entitled  
proceedings were consolidated for hearing and decision.

In Application No. 2173, California Natural Gas Com-  
pany asks authority to sell its entire property, used in the  
natural gas business in Kern County, to Valley Natural Gas Com-  
pany for \$490,000.00 in cash and \$100,000.00 par value of common  
stock of Valley Natural Gas Company.

In Application No. 2172, as amended, Valley Natural Gas Company asks authority to execute a mortgage or deed of trust securing the payment of \$2,000,000.00 face value of 6% serial first mortgage bonds; to issue \$378,000.00 face value of said bonds; to issue \$200,000.00 par value of preferred stock; to issue \$100,000.00 par value of common stock and to issue its promissory note for \$247,500.00 to the Anglo-California Trust Company of San Francisco for \$247,500.00 to be borrowed from said Trust Company.

Valley Natural Gas Company desires to issue at this time, \$100,000.00 face value, of bonds numbered 1 to 100, inclusive, to be sold at not less than 92½% of face value plus accrued interest and \$278,000.00 face value of bonds, numbered 101 to 378, both inclusive, to secure in part the promissory note for \$247,500.00 to be issued to Anglo-California Trust Company. Valley Natural Gas Company asks authority to sell, at not less than 90% of their face value plus accrued interest bonds of the face value of \$250,000.00, being bonds numbered 101 to 350, both inclusive, being a portion of said bonds of the face value of \$278,000.00, and to use the proceeds obtained from such sale to pay in part the aforementioned loan from the Anglo-California Trust Company.

Of the preferred stock which Valley Natural Gas Company proposes to issue \$5,500.00 par value is to be issued to C. B. Colby at \$90.91 per share to reimburse said C. B. Colby for \$5,000.00 paid by him to California Natural Gas Company as part payment for said company's property; \$161,200.00 par value of preferred stock is to be sold at not less than \$90.00 per share to pay in part the purchase price of the properties to be acquired from California Natural Gas Company; and \$33,300.00 par value of

preferred stock is to be sold at not less than \$90.00 per share to pay in part the aforementioned loan from Anglo-California Trust Company.

The \$100,000.00 par value of common stock is to be issued to California Natural Gas Company as part payment of the purchase price of the property to be acquired by Valley Natural Gas Company from California Natural Gas Company. C. B. Colby testified that he has agreed, verbally, to purchase from California Natural Gas Company said \$100,000.00 par value of common capital stock at \$80.00 per share. Said \$100,000.00 par value of common stock is to be pledged by California Natural Gas Company as part security for the \$247,500.00 loan. In the event that C. B. Colby acquires this stock, he is to permit it to remain in pledge until the loan has been repaid. It is the intention of the Valley Natural Gas Company to pay the \$247,500.00 note within one year after date through the issue of preferred stock and bonds as hereinbefore indicated. Assuming that the loan will be repaid within a year, Valley Natural Gas Company, according to those applications, will have issued for property of California Natural Gas Company \$100,000.00 par value of common stock, approximately \$200,000.00 par value of 8% preferred stock and \$350,000.00 face value of 6% bonds. Reference will hereinafter be made to the value of the property which Valley Natural Gas Company proposes to acquire and to its earning power.

California Natural Gas Company was incorporated in 1910 for the purpose of distributing and selling natural

gas produced by the Standard Oil Company in the Midway oil field and vicinity. The company sells gas at wholesale to the Bakersfield Gas and Electric Company, controlled by San Joaquin Light and Power Corporation, for distribution in Bakersfield, to the West Side Gas Company for distribution in Taft and Maricopa and to Joseph McDonald for distribution in Fellows. Less than 20% of the operating revenues of California Natural Gas Company, however, are obtained from the sale of gas to other public utilities. More than 80% of the earnings of the company are obtained from the sale of natural gas to oil operators.

The following table shows operating revenues and expenses of California Natural Gas Company for the years 1910, 1911, 1912, 1913, 1914 and 1915, as reported by California Natural Gas Company:

TABLE NO. I.

OPERATING REVENUES AND EXPENSES, CALIFORNIA NATURAL GAS  
COMPANY, 1910-1915, inclusive.

| ITEM                                     | 1910            | 1911              | 1912              | 1913              | 1914              | 1915              |
|--|-----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Operating Revenues                       | \$ —            | \$141,500.95      | \$441,927.98      | \$411,885.46      | \$315,121.12      | \$236,707.39      |
| Operating Expenses <sup>0</sup>          | <u>5,244.61</u> | <u>36,913.40</u>  | <u>253,030.76</u> | <u>308,723.22</u> | <u>249,731.67</u> | <u>209,833.97</u> |
| Net Operating Revenue                    | *5,244.61       | 104,587.55        | 188,897.22        | 103,162.24        | 65,389.45         | 26,873.42         |
| Non-Operating Revenue:                   |                 |                   |                   |                   |                   |                   |
| Miscellaneous Interest Revenues          | —               | 295.00            | 3,130.68          | 1,452.27          | 5,363.38          | 2,321.62          |
| Dividend Revenues                        | —               | —                 | —                 | 3,944.24          | —                 | —                 |
| Miscellaneous Operating Revenues         | —               | —                 | —                 | —                 | 51.23             | —                 |
| Total                                    | —               | <u>295.00</u>     | <u>3,130.68</u>   | <u>5,396.51</u>   | <u>5,414.61</u>   | <u>2,321.62</u>   |
| Gross Corporate Income                   | *5,244.61       | 104,882.55        | 192,027.90        | 108,558.75        | 70,804.06         | 29,195.04         |
| Balance carried to Profit and Loss Acct. | *5,244.61       | <u>104,882.55</u> | <u>192,027.90</u> | <u>108,558.75</u> | <u>70,804.06</u>  | <u>29,195.04</u>  |
| Profit and Loss Account:                 |                 |                   |                   |                   |                   |                   |
| Surplus beginning of Year                | —               | * 5,244.61        | 71,637.94         | 123,665.84        | 232,224.59        | 39,292.82         |
| Profits from Income Account              | —               | <u>104,882.55</u> | <u>192,027.90</u> | <u>108,558.75</u> | <u>70,804.06</u>  | <u>29,195.04</u>  |
| Total before Deductions                  | —               | 99,637.94         | 263,665.84        | 232,224.59        | 203,028.65        | 68,487.86         |
| Deductions:                              |                 |                   |                   |                   |                   |                   |
| Loss from Income Account                 | *5,244.61       | —                 | —                 | —                 | —                 | —                 |
| Dividends                                | —               | 28,000.00         | 140,000.00        | —                 | 262,500.00        | —                 |
| Depreciation not covered by Reserve      | —               | —                 | —                 | —                 | 1,235.83          | 587.90            |
| Total Deductions                         | *5,244.61       | <u>28,000.00</u>  | <u>140,000.00</u> | <u>—</u>          | <u>263,735.83</u> | <u>587.90</u>     |
| Surplus at close of Year                 | *5,244.61       | 71,637.94         | 123,665.84        | 232,224.59        | 39,292.82         | 67,899.96         |

<sup>0</sup> Operating expenses include Taxes and Depreciation as follows:

| Taxes          |             |
|----------------|-------------|
| 1910 . . . . . | —           |
| 1911 . . . . . | \$10,683.47 |
| 1912 . . . . . | 18,868.91   |
| 1913 . . . . . | 22,473.63   |
| 1914 . . . . . | 15,976.69   |
| 1915 . . . . . | 13,072.10   |
| * Loss         |             |

| Depreciation   |             |
|----------------|-------------|
| 1910 . . . . . | —           |
| 1911 . . . . . | —           |
| 1912 . . . . . | —           |
| 1913 . . . . . | \$29,455.76 |
| 1914 . . . . . | 29,206.32   |
| 1915 . . . . . | 36,418.87   |

Exclusive of depreciation, the net operating revenues of California Natural Gas Company, as shown by Table No. I, have been as follows:

|                |              |
|----------------|--------------|
| 1911 . . . . . | \$104,587.55 |
| 1912 . . . . . | 188,897.22   |
| 1913 . . . . . | 132,618.00   |
| 1914 . . . . . | 94,595.77    |
| 1915 . . . . . | 63,292.29    |

Inasmuch as the company has no bonded indebtedness, practically all of the net operating revenues have been available for depreciation charges or dividends.

Valley Natural Gas Company contends that the earnings for 1915 are not a fair criterion of the earning power of the California Natural Gas Company properties. The company reports that during the latter part of 1915, considerable extensions were made and that the earnings from these extensions are reflected in the earning statement only in the months of November and December, 1915. In applicants' Exhibit No. 1, the gross earnings for the 3 months ending March 31, 1916, are reported to have been \$94,670.09. The operating expenses, including taxes but not depreciation, are reported at \$66,118.50, leaving a net operating revenue of \$28,551.50. On the basis of the showing made for 3 months, Valley Natural Gas Company estimates that the net earnings for 1916 will be in excess of \$98,000.00.

In applicants' Exhibit No. 7, it is alleged that an additional supply of gas is soon to be obtained for service in the present field of operation and that a demand now exists in the present territory for additional gas in the amount of 20% of the gas at present delivered to California Natural Gas Company. In view of this possible increase in operating revenues, Valley Natural Gas Company contends that it is fair to assume

that the company during the next 10 years will realize a net operating revenue of \$98,000.00 per annum. If these expectations should be realized, the company contends that it would be able to pay off \$350,000.00 face value of bonds, redeem \$200,000.00 par value of preferred stock, pay interest on its bonds and 8% dividends upon its preferred and common stock and accumulate a cash surplus of \$93,000.00.

There is no evidence to show that the proposed contract (Applicants' Exhibit No. 5) between California Natural Gas Company and Standard Oil Company was taken into consideration in arriving at the assumed annual net revenue of \$98,000.00. Should these applications be granted, this contract is to be assigned by California Natural Gas Company to Valley Natural Gas Company.

Article III of the contract reads:

"In its operations and in the conduct of its business, the Oil Company utilizes gas in large quantities, and there is excepted from this contract, and reserved from the sale of gas herein provided for, the gas produced and saved by the Oil Company and required by the Oil Company in its operations and the conduct of its business up to, but not exceeding, six million cubic feet of gas per day."

When demanded by the Gas Company, the Oil Company agrees to erect one compressor plant on the Oil Company's land in Kern County, and to compress the gas taken from the Oil Company's wells, to a pressure not less than 250 pounds. The cost of the compressor plant shall be paid by the Oil Company. The cost of operating the compressor plant, exclusive of depreciation, interest and overhead charges, the cost of transmitting the gas from the wells to the compressor plant and the cost of installing the mains from the wells to the compressor plant shall be borne by the Gas Company. All gasoline or vapor content produced in the process of compression shall belong to the Oil Company.

During a period of five years from the date of the contract, the Gas Company shall pay to the Oil Company 5 cents per 1000 cubic feet of natural gas at a temperature of 60° Fahrenheit on a four ounce base over and above 14.4 pounds atmospheric pressure for all gas taken by the Gas Company from the Oil Company and resold by it at meter measurement. For gas sold by the Gas Company on a flat rate basis, it shall pay to the Oil Company five-sevenths of its gross receipts from such sales, provided that such payment shall not exceed 5 cents per 1000 cubic feet.

The following table shows the assets and liabilities of California Natural Gas Company as reported for March 31, 1916:



TABLE NO. II.

ASSETS AND LIABILITIES-CALIFORNIA NATURAL GAS COMPANYMarch 31, 1916.ASSETS:

|  |                  |
|--|------------------|
| Fixed Capital installed prior to January 1, 1913 . . . | \$309,127.47     |
| Fixed Capital installed since January 1, 1913. . . .   | 190,224.00       |
| Landed Capital . . . . \$                              | 6,940.54         |
| Transmission Capital . . .                             | 174,732.95       |
| Distribution Capital . . .                             | 6,963.82         |
| General Capital. . . . .                               | <u>1,586.69</u>  |
| Total Capital . . . . .                                | \$499,351.47     |
| Cash. . . . .  | 4,328.63         |
| Notes Receivable. . . . .                              | 14,924.56        |
| Accounts Receivable . . . . .                          | 47,103.86        |
| Gas Consumers Ledger . . \$                            | 36,044.63        |
| San Joaquin L & P Co . . .                             | 4,439.17         |
| Jos. McDonald, Fellows . . .                           | 82.50            |
| West Side Gas Co . . . . .                             | 474.84           |
| Columbus Midway Oil Co . . .                           | 3,391.73         |
| Misc. Accts. Receivable . . .                          | <u>2,670.99</u>  |
| Investment. . . . .                                    | 140.00           |
| Materials and Supplies. . . . .                        | <u>11,019.08</u> |
| TOTAL ASSETS. . . . .                                  | 576,867.60       |

LIABILITIES:

|   |                   |                  |
|---|-------------------|------------------|
| Capital Stock:                            |                   |                  |
| Authorized . . . . .                      | 1,000,000.00      |                  |
| Unissued. . . . .                         | <u>650,000.00</u> | \$350,000.00     |
| Interest. . . . .                         |                   | 316.85           |
| Accounts Payable. . . . .                 |                   | 21,585.25        |
| Standard Oil Company. . . . .             |                   | 10,000.00        |
| Suspense. . . . .                         |                   | 125.00           |
| Accrued Taxes . . . . .                   |                   | 14,605.83        |
| Accrued General Expense . . . . .         |                   | 150.00           |
| Reserve for Accrued Depreciation. . . . . |                   | 83,970.06        |
| Profit and Loss . . . . .                 |                   | <u>96,134.61</u> |
| TOTAL LIABILITIES. . . . .                | \$                | 576,867.60       |

Mr. J. T. Ryan of the J. G. White Engineering Corporation testified that the cost to reproduce new the physical structures of California Natural Gas Company was \$594,686.00, as shown by the following summary:

TABLE NO. III.

COST TO REPRODUCE NEW PHYSICAL STRUCTURES  
OF CALIFORNIA NATURAL GAS COMPANY.

December 1, 1915.

J. G. WHITE ENGINEERING CORPORATION.

|                            | <u>Unit</u> | <u>Unit Cost</u> | <u>Item</u> | <u>Total</u> |
|----------------------------|-------------|------------------|-------------|--------------|
| COLLECTION & TRANSMISSION: |             |                  |             |              |
| Well Connections           |             | \$9,588          |             |              |
| Pipe Lines:                |             |                  |             |              |
| Oil Fields System          | \$281,068   |                  |             |              |
| Bakersfield System         | 241,513     |                  |             |              |
| Rights of Way              | 9,277       |                  |             |              |
|                            |             | 531,858          |             |              |
| Meters                     |             | 3,735            |             |              |
| Regulators                 |             | 5,654            |             |              |
| Measuring Station          |             | 5,155            |             |              |
|                            |             |                  | \$555,990   |              |
| GENERAL:                   |             |                  |             |              |
| General Structures         |             |                  | 6,238       |              |
| General Equipment          |             |                  | 32,458      |              |
| TOTAL                      |             |                  |             | \$594,686    |

Mr. G. S. Jacobs, one of this Commission's assistant engineers, testified that the original cost, the cost to reproduce new and the cost to reproduce new less depreciation of the physical structures of California Natural Gas Company as of March 1, 1916 was as follows:

TABLE NO. IV.

ORIGINAL COST, REPRODUCTION COST and DEPRECIATED  
REPRODUCTION COST OF PHYSICAL STRUCTURES OF  
CALIFORNIA NATURAL GAS COMPANY, March 1,  
1916, -RAILROAD COMMISSION'S ENGINEER-  
ING DEPARTMENT.

|                                       | ORIGINAL<br>COST | REPRODUCTION<br>COST | REPRODUCTION<br>COST LESS<br>DEPRECIATION |
|---------------------------------------|------------------|----------------------|---|
| <u>Excluding Stores and Supplies:</u> |                  |                      |   |
| Properties as of Dec.1,1915           | \$472,464.80     | \$572,505.96         | \$456,583.34                              |
| Net Additions to Mar.1,1916           | <u>25,872.88</u> | <u>26,557.22</u>     | <u>26,557.22</u>                          |
| Total as of March 1, 1916             | \$498,337.68     | \$599,063.18         | \$483,140.56                              |
| <u>Stores and Supplies:</u>           |                  |                      |   |
| As of Dec. 1, 1915                    | 19,056.79        | 19,056.79            | 19,056.79                                 |
| Net difference to March 1,<br>1916    | <u>7,681.98</u>  | <u>7,681.98</u>      | <u>7,681.98</u>                           |
| Total as of March 1, 1916             | \$ 11,374.81     | \$ 11,374.81         | \$ 11,374.81                              |
| <u>TOTAL PHYSICAL PROPERTIES:</u>     |                  |                      |   |
| As of Dec. 1, 1915                    | \$491,521.59     | \$591,562.75         | \$475,640.13                              |
| Net Additions to March 1,<br>1916     | <u>18,190.90</u> | <u>18,875.24</u>     | <u>18,875.24</u>                          |
| Total as of March 1, 1916             | \$509,712.49     | \$610,437.99         | \$494,515.37                              |

Mr. Jacobs testified that the estimated reproduction cost now as of December 1, 1915 was \$591,562.75, being \$3,123.25 less than the estimate of the J. G. White Engineering Corporation. This difference is largely accounted for by the difference in allowance for overhead expenses.

The difference in the original cost, as reported by Mr. Jacobs and the cost to reproduce new as testified to both by Mr. Ryan and Mr. Jacobs is due in part to the fact that the original cost, as shown on the books of California Natural Gas Company included only a partial allowance for overhead expenditures and largely to the fact that certain drill and casing pipe, most of which had been used by Standard Oil Company for well casing and which was later, in September, 1915, sold by Standard Oil Company as second hand pipe to California Natural

Gas Company for \$40,000.00 was considered, in the engineers' estimates of cost to reproduce, as though it were new pipe. Mr. Jacobs estimated that the cost to reproduce this pipe new, adding freight, would be \$116,924.14.

In addition to acquiring the physical structures of California Natural Gas Company, the Valley Natural Gas Company will acquire the current assets and assume the current liabilities of California Natural Gas Company. On March 31, 1916, the current assets were reported to be \$66,357.05, and the current liabilities were reported to be \$46,657.93. The difference between the current assets and current liabilities amounts to \$19,699.12. In addition to the current liabilities assumed by Valley Natural Gas Company, the company will be obliged to pay 6% interest on \$485,000.00 from December 1, 1915 to the date of the transfer of the properties. The interest to and including March 31, 1916 on the \$485,000.00 amounts to \$9,700.00, leaving the net current assets as of March 31, 1916, amounting to \$9,999.12. The sum total of the net current assets plus reproduction cost less depreciation, as found by Mr. Jacobs, as of March 31, 1916, amounts to \$504,514.49.

Should these applications be granted, Valley Natural Gas Company during the first year of operation will be called upon to meet the following charges:

|                |              |              |                 |                  |
|----------------|--------------|--------------|-----------------|------------------|
| 8% dividend on | \$100,000.00 | common stock | \$              | 8,000.00         |
| 8%             | "            | 166,700.00   | preferred stock | 13,336.00        |
| 6% interest    | "            | 100,000.00   | bonds           | 6,000.00         |
| 7%             | "            | 247,500.00   | note            | <u>17,325.00</u> |
|                |              |              | \$              | 44,661.00        |

These charges make no allowance for the retirement of bonds, \$50,000.00 of which mature March 15, 1918, and \$50,000.00 annually thereafter.

Valley Natural Gas Company asks authority to execute to Anglo-California Trust Company a mortgage or deed of trust securing the payment of \$2,000,000.00 face value of first mortgage 6% serial gold bonds. The bonds are to be dated March 15, 1916. Of the bonds, \$700,000.00 face value, numbered 1 to 700 inclusive, are to mature serially, \$50,000.00 face value of said bonds maturing each year beginning March 15, 1918 to and including March 15, 1931. The remaining \$1,300,000.00 face value of bonds, being bonds numbered 701 to 2000 inclusive, mature March 15, 1946. The bonds bear interest at the rate of 6% per annum, payable semi-annually March 15 and September 15 of each year. Bonds are callable at par plus accrued interest. To further secure the payment of bonds numbered 701 to 2000 inclusive, the company agrees to pay to the trustee on September 15, 1924 and annually thereafter to and including September 15, 1931, an amount equal to one-half of 1% of the said bonds, numbered 701 to 2000 inclusive, outstanding. On September 15, 1932, and annually thereafter until the maturity of the bonds, an amount equal to 1% of said bonds outstanding is to be paid to the trustee. Like amounts are to be set aside during the aforementioned years for an improvement fund. The deed of trust contains a provision that none of the bonds numbered 701 to 2000 inclusive shall be issued for the payment of cost of extensions, additions or betterments, unless such extensions, additions or betterments have a prospective life at least as long as March 15, 1946. The company may issue bonds subsequent to the issue of bonds numbered 1 to 350 inclusive to pay for 70% of the reasonable cost of extensions, additions, or betterments, provided the gross earnings of the company, after deducting operating expenses including taxes, insurance and

reasonable allowance for repairs and maintenance shall be equal to  $2\frac{1}{2}$  times the interest on the bonds outstanding plus the interest on the bonds to be issued. It is the intention of the Valley Natural Gas Company to issue its serial bonds to pay for cost of extensions, additions and betterments to its natural gas transmission and distribution system, and to use the remaining \$1,300,000.00 face value of bonds, maturing in 1946, to pay for artificial gas plants or other investments which partake of a more permanent nature than the natural gas industry.

According to the terms of Exhibit "D" attached to Application No. 2173, Valley Natural Gas Company proposes to borrow from Anglo-California Trust Company \$250,000.00, the same to be used in part payment for the properties to be acquired from California Natural Gas Company.

The company originally proposed to dispose of its bonds at 90% of the face value thereof, plus accrued interest. It now appears that the company will be able to sell the same for not less than  $92\frac{1}{2}\%$  of the face value and accrued interest, netting \$92,500.00 instead of \$90,000.00, as originally contemplated. It thus becomes necessary for the company to borrow \$247,500.00 instead of \$250,000.00. The indebtedness to the Anglo-California Trust Company is to be represented by a note payable within one year after date, said note to be secured by pledging \$278,000.00 face value of bonds and \$100,000.00 par value of common stock. Inasmuch as the note is to be issued for a term of one year, this Commission's authorization is not necessary. The Commission's consent, however, must be obtained to the pledge of the bonds and the issue of the common stock.

Valley Natural Gas Company states that it is its hope and intention to gather and conserve for sale natural gas which is now going to waste, and to extend its field of operation into new sections of territory. It proposes to construct a line into the Kern River petroleum fields for the purpose of selling gas for the pumping of oil wells. It has made a preliminary survey of a portion of the San Joaquin Valley and states its belief that large opportunities are offered for the distribution and sale of natural gas over an extensive area reaching as far north as Fresno.

It is stated that the development of the company's plans will proceed in a measure commensurate with its ability to finance.

The original financial undertakings of the Valley Natural Gas Company are on a high interest basis. The company anticipates, however, with the development of its plans, to obtain more favorable terms than it can at the outset.

It has heretofore been pointed out with some particularity by this Commission that natural gas enterprises are hazardous in their very nature and that they may not therefore be judged by the ordinary standards applicable to public utility projects. I believe the applicant herein should be encouraged in its efforts to undertake the conservation of natural gas now going to waste, and to extend its realm of usefulness, provided that the substitution of this agency with its plan of financing, for California Natural Gas Company, does not result in an increase of rates to the customers of California Natural Gas Company.

I recommend that this application be granted, subject to the conditions specified in the order herein, and submit the following form of order:

O R D E R.

CALIFORNIA NATURAL GAS COMPANY having applied to the Railroad Commission for an order authorizing the sale of its entire property used in the natural gas business in Kern County, California, to Valley Natural Gas Company and Valley Natural Gas Company having applied to the Railroad Commission for an order authorizing the issue of capital stock and bonds, as set forth in the opinion which precedes this order, and to execute a mortgage or deed of trust of its properties to Anglo-California Trust Company, of San Francisco, and a public hearing having been held and the Railroad Commission finding that the purposes for which Valley Natural Gas Company proposes to issue said capital stock and bonds are not in whole or in part reasonably chargeable to operating expenses or to income,

IT IS HEREBY ORDERED as follows:

1. California Natural Gas Company is hereby authorized to sell to Valley Natural Gas Company the entire property of California Natural Gas Company used in the natural gas business in Kern County, California, which property is more particularly described in Exhibit "A" which is attached hereto and made a part hereof, on the following conditions and not otherwise, to-wit:

(a) If California Natural Gas Company proposes to transfer to Valley Natural Gas Company any franchise or permit from the Board of Supervisors of Kern County or other public authority, authorizing the use of any public road or highway in Kern County, the authority herein given to California Natural Gas Company to transfer its property to Valley Natural Gas Company shall not become effective until the Railroad Commission shall have issued a supplemental order herein reciting that Valley Natural Gas Company has filed



herein a stipulation, duly authorized by its Board of Directors, declaring that Valley Natural Gas Company, its successors and assigns, will never claim in any proceeding before the Railroad Commission or any court or other public authority, any value for such franchise or permit in excess of the price being paid therefor by Valley Natural Gas Company, which price shall be specified in such stipulation.

(b) Within thirty days from the execution and delivery by California Natural Gas Company of a deed conveying its properties to Valley Natural Gas Company, California Natural Gas Company shall file herein a true and correct copy of such deed.

2. Valley Natural Gas Company is hereby authorized to issue \$378,000.00, face value, of its first mortgage 6 per cent serial gold bonds, being bonds numbered 1 to 378, inclusive, to be secured by the deed of trust or mortgage hereinafter referred to; 2000 shares of 8 per cent preferred stock of the par value of \$100.00 per share; and 1000 shares of common stock of the par value of \$100.00 per share; and to execute a mortgage or deed of trust of its properties to Anglo-California Trust Company, of San Francisco, trustee, substantially in the form of the deed of trust or mortgage filed herein in Application No. 2172, and marked Exhibit "B", to which document reference is hereby made, said deed of trust being dated March 15, 1916, and securing an authorized issue of two million dollars, face value, of first mortgage 6 per cent serial gold bonds--all upon the conditions following and not otherwise, to-wit:

(a) Of the \$378,000.00 of bonds herein authorized to be issued, \$100,000.00 of bonds, being bonds numbered 1 to 100, inclusive, shall be sold so as to net Valley Natural Gas Company not less than 92 1/2% of the face value thereof plus accrued interest thereon; \$250,000.00, face value, of said bonds, being bonds numbered 101 to 350, both numbers inclusive,

may be sold by Valley Natural Gas Company so as to net not less than 90% of the face value thereof plus accrued interest thereon; and \$278,000.00, face value of said bonds, being bonds numbered 101 to 378, both numbers inclusive, may be pledged as collateral security for a promissory note in the sum of \$247,500.00, to be issued by Valley Natural Gas Company to Anglo-California Trust Company.

(b) Of the 2000 shares of 8% preferred stock herein authorized to be issued, 55 shares shall be issued to C. B. Colby to reimburse said Colby for \$5000.00 paid by him to California Natural Gas Company as part payment for said company's property and 1945 shares of said stock shall be sold so as to net Valley Natural Gas Company not less than \$90.00 per share.

(c) The 1000 shares of common stock herein authorized to be issued shall be issued to California Natural Gas Company in part payment for its property.

(d) The proceeds from the sale of \$100,000.00 of bonds, being bonds numbered 1 to 100, inclusive, and from 1612 shares of the 8% preferred stock of Valley Natural Gas Company, shall be applied toward the purchase of the properties of California Natural Gas Company.

(e) The proceeds from the sale of \$250,000.00 of bonds herein authorized to be issued, being bonds numbered 101 to 350, inclusive, and the proceeds from the sale of 333 shares of 8% preferred stock of Valley Natural Gas Company herein authorized to be issued, shall be used for the purpose of paying off a promissory note in the sum of \$247,500.00 which Valley Natural Gas Company proposes to issue to Anglo-California Trust Company.

(f) The authority herein granted to issue stocks and bonds is conditioned upon the acquisition by Valley Natural

Gas Company of the entire properties of California Natural Gas Company used in the natural gas business in Kern County for not to exceed \$490,000.00 in cash and 1000 shares of the common stock of Valley Natural Gas Company.

(g) The authority hereby given to Valley Natural Gas Company to issue capital stock and bonds shall not be effective until the Railroad Commission shall have issued a supplemental order reciting that Valley Natural Gas Company has filed herein a stipulation, duly authorized by its Board of Directors, and in form satisfactory to the Railroad Commission, declaring that Valley Natural Gas Company, its successors and assigns, will never claim before the Railroad Commission or any court or other public authority, that the capital stock and bonds of Valley Natural Gas Company herein authorized represent for rate making or other purposes the fair value of the properties of California Natural Gas Company to be acquired by Valley Natural Gas Company.

(h) The authority hereby given to Valley Natural Gas Company to issue capital stock and bonds shall not become effective until the Railroad Commission shall have issued a supplemental order reciting that Valley Natural Gas Company has filed herein a stipulation, duly authorized by its Board of Directors, and in form satisfactory to the Railroad Commission, declaring that Valley Natural Gas Company, its successors and assigns, will never ~~ask~~ ask for authority to increase the rates now being charged by California Natural Gas Company to its present consumers, by reason or as the result of the transfer of the properties of California Natural Gas Company to Valley Natural Gas Company, and that if Valley Natural Gas Company ever asks authority to increase the rates now charged by California Natural Gas Company to its existing consumers or

any of them, such application will be based solely on increased costs of construction, maintenance or operation in no way caused by or growing out of said transfer of the properties of California Natural Gas Company to Valley Natural Gas Company.

(i) The approval herein given to Valley Natural Gas Company to execute a deed of trust or mortgage of its properties is for the purpose of this proceeding only and an approval in so far as the Railroad Commission has jurisdiction under the terms of the Public Utilities Act, and is not intended as an approval of said deed of trust or mortgage as to such other legal requirements to which said deed of trust or mortgage may be subject.

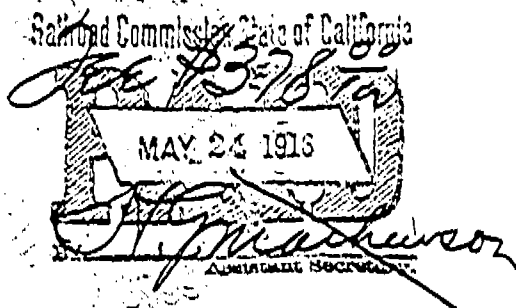
(j) Valley Natural Gas Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the capital stock and bonds hereby authorized to be issued and on or before the 25th day of each month the company shall make a verified report to the Railroad Commission stating the sale or sales of said stock and bonds 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.

(k) The authority herein granted to issue bonds is conditioned upon the payment of the fee prescribed by the Public Utilities Act.

(1) The authority herein given to issue stock and bonds shall apply only to such stock and bonds as shall have been issued on or before May 31, 1917.

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 20th day of May, 1916.



Max Thelen  
H. P. ...  
...  
...  
Frank C. ...  
Commissioners.

EXHIBIT "A"

All and singular the property and assets of whatever kind and nature of California Natural Gas Company, whether real, personal or mixed, tangible or intangible (save and except the corporate franchise of California Natural Gas Company), including the following described real and personal property:

(a) That certain piece and parcel of land situate, lying and being in the County of Kern, State of California, now used as a site for said California Natural Gas Company's metering station, which said land is particularly described as follows:

Beginning at the intersection of the quarter section line between the Northeast quarter (N.E. 1/4) and the Southeast quarter (S.E. 1/4) of Section Thirty-five (35), Township Twenty-nine (29) South, Range Twenty-seven (27) East, Mount Diablo Base and Meridian, with the West line of the County Road on line between Sections Thirty-five (35) and Thirty-six (36), Township Twenty-nine (29) South, Range Twenty-seven (27) East, Mount Diablo Base and Meridian, thence South along West line of said County Road fifty (50) feet, thence West parallel with said quarter section line one hundred and fifty (150) feet; thence North parallel with said County Road fifty (50) feet; thence East along said quarter section line one hundred and fifty (150) feet to place of beginning, and containing an area of one hundred and seventy-two one-thousandths (172/1000) of an acre, more or less.

(b) The leasehold interest of California Natural Gas Company in and to that certain land situate in Section Fourteen (14), Township Thirty-two (32) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian, more particularly described as follows:

Beginning at a point in the Westerly line of the sixty foot road lying equally in Sections Thirteen (13) and Fourteen (14), in said Township and Range, said point being fifty (50) feet Northerly at right angles from the North line of the one hundred (100) foot right of way of the Sunset Western Railroad Company; thence Northerly along said Westerly line of County road, two hundred (200) feet; thence Westerly at right angles to last mentioned course two hundred (200) feet; thence Southerly, and parallel to said Westerly line of County Road one hundred and thirty-three (133) feet, more or less, to a point fifty (50) feet, Northerly at right angles from said Northerly right of way line of Sunset Western Railroad Company; thence

Southeasterly parallel and distant fifty (50) feet from said Northerly right of way line two hundred and eleven (211) feet, more or less, to the point of beginning, containing seventy-five one-hundredths (75/100) of an acre, more or less; by virtue of that certain lease thereof heretofore, to wit on February 1, 1913, made and executed by Standard Oil Company to California Natural Gas Company for a term ending December 31, 1922.

(c) Twenty-three (23) pipe lines heretofore operated by the said California Natural Gas Company in the County of Kern, State of California, in its business of collecting, transporting and distributing natural gas, as follows:

LINE A: A four (4) inch line from near the center of Section Twenty-two (22), Township Thirty-one (31) South, Range Twenty-three (23) East to Mile Twenty-four (24) on Bakersfield Line, length fifty-seven thousand six hundred and eighty (57,680) feet.

LINE B: A four (4) inch line from Rio Brava Pumping Station to Bakersfield Metering Station on Oak Street, length sixty-two thousand nine hundred and seventeen (62,917) feet.

LINE C: A four (4) inch line from Standard Oil Company's Pumping Station near Taft to Maricopa, with a two (2) inch lateral East of Maricopa, length, four (4) inch line fifty-two thousand eight hundred and twenty-four (52,824) feet; two (2) inch line seven thousand four hundred and seven (7,407) feet.

LINE D: A two (2) inch line from Section Twenty-two (22), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian to Fellows, length eighteen thousand and sixty (18,060) feet.

LINE E: A two (2) inch tie line extending West from the Town of Taft, length sixteen thousand four hundred (16,400) feet.

LINE F: A two (2) inch line from near the center of Section Thirty-two (32), Township Thirty-two (32) South, Range Twenty-four (24) East to near the center of Section Twenty-eight (28), Township Thirty-two (32) South, Range Twenty-four (24) East, length six thousand two hundred and twenty (6,220) feet.

LINE G: A two (2) inch line from West line to center of Section (5), Township Thirty-two (32) South, Range Twenty-three (23) East, length three thousand and twenty-eight (3,028) feet.

LINE H: A two (2) inch tie line in Section Thirty (30), Township Thirty-two (32) South, Range Twenty-four (24) East, Mount Diablo Base and Meridian, length two thousand six hundred and seventy-two (2,672) feet.



LINE I: A four (4) inch line from near the town of Fellows to near the town of Taft with a two (2) inch lateral, length, four (4) inch line twenty-nine thousand six hundred and eighty-two (29,682) feet; two (2) inch line seven thousand six hundred and sixty-five feet (7,665) feet.

LINE J: A two (2) inch line along the Northern line of Sections Fifteen (15) and Sixteen (16), Township Thirty-two South, Range Twenty-four (24) East, Mount Diablo Base and Meridian, length eight thousand five hundred and sixty-nine (8,569) feet.

LINE K: A two (2) inch extension of line No. Eight (8) in Sections Twenty (20) and Thirty (30), Township Thirty-two (32) South, Range Twenty-four (24) East, Mount Diablo Base and Meridian, length four thousand five hundred and six (4,506) feet.

LINE M: A four (4) inch line from Standard Oil Company's Well No. 1, on Section Twenty-two (22), Township Thirty-one (31) South, Range Twenty-three (23) East to connection with other lines near the town of Fellows, length thirty thousand six hundred and fourteen (30,614) feet.

LINE P.D: A system of four (4) inch and two (2) inch connecting and tie lines in the Oil fields, known as the P.D. lines, total length, four (4) inch lines one hundred thirteen thousand three hundred and sixty-two (113,362) feet; two inch lines ninety-eight thousand three hundred and nine (98,309) feet.

LINE R: A four (4) inch line from the Honolulu Oil Company on Section Four (4), Township Thirty-two (32) South, Range Twenty-four (24) East, Mount Diablo Base and Meridian to junction with line No. Three (3) near Maricopa, length thirty thousand nine hundred and eighty-three (30,983) feet.

LINE T: A six (6) inch line from Standard Oil Company's pumping station near Taft to Section Sixteen (16), Township Thirty-two (32) South, Range Twenty-four (24) East, and also to the town of Taft, length, twenty-nine thousand six hundred and sixty-eight (29,668) feet.

Line U: A two (2) inch line from Standard Oil Company's Well No. Eight (8) in Section Twenty-six (26), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian to Union Oil Company in Section Thirty-four (34), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian, length ten thousand and five (10,005) feet.

Line V: A four (4) inch line from Standard Oil Company's Wells in Section Sixteen (16), Township Thirty-two (32) South, Range Twenty-four (24) East to junction with other lines near the center of Section Thirty-two (32), in the same township and range, length nineteen thousand six hundred and sixteen (19,616) feet.

Line W: A line of six (6) inch and four (4) inch pipe in Section Thirty-six (36), Township Thirty-one (31) South, Range Twenty-three (23) East, connecting several wells of the Standard Oil Company with the transmission lines of the California Natural Gas Company; length of six (6) inch seven thousand three hundred and fifty-three (7,353) feet; four (4) inch seven thousand one hundred and one (7,101) feet.

Line X: A six inch line from Mile Twenty-four of the Bakersfield line to Rio Brava pumping station of the Standard Oil Company, length forty-four thousand nine hundred and twenty-nine (44,929) feet.

Line Y: A four (4) inch line from Standard Oil Company's Well No. Two (2) in Section Twenty-eight (28), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian, connecting said well to the California Natural Gas Company's pipe lines, length two thousand seven hundred and twelve (2,712) feet.

Line N: An eight (8) inch line from near the center of Section Twenty-six (26), Township Thirty-one (31) South, Range Twenty-three (23) East to Mile Twenty-four (24) on the Bakersfield line.

Line O: A six (6) inch line from Rio Brava pumping station of the Standard Oil Company to the Standard Oil Company's refinery near Waits.

(d) All pipes, valves, fittings and other connections which connect the above mentioned gas lines to the hereinafter mentioned gas wells of the Standard Oil Company and all appliances for controlling and regulating the flow of gas from said wells

heretofore operated and employed by California Natural Gas Company:

From Wells numbered One (1), Two (2) and Five (5), in Section Twenty-two (22), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian.

From Wells numbered One (1), Two (2), Three (3), Four (4), Five (5), Six (6), Eight (8) and Nine (9) in Section Twenty-six (26) Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian.

From Wells numbered Six (6) and Twenty-six (26) in Section Thirty-six (36), Township Thirty-one (31) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian.

(e) That certain right of way granted by United Midway Oil Land Company, a corporation to Standard Oil Company, a corporation, by deed bearing date January 5, 1911, which said deed was on the 10th day of January, 1911, recorded in the office of the County Recorder of the County of Kern, State of California, in Liber 243 of Deeds at page 336 thereof; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by deed bearing date June 3, 1912.

(f) An undivided interest in that certain right of way granted by Kern County Land Company, a corporation, to said Standard Oil Company by deed bearing date May 27, 1908, which said deed was on the 13th day of June, 1908, recorded in the office of the County Recorder of said County of Kern, State of California, in Liber 199 of Deeds, page 422 thereof; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by deed bearing date June 3, 1912.

(g) An undivided interest in that certain right of way granted by Miller & Lux, Incorporated, a corporation, to said Standard Oil Company by deed bearing date March 11, 1907, which said deed was on March 29, 1907, recorded in the office of the County Recorder of said County of Kern, State of California, in Liber 187 of Deeds, at page 177 thereof; the terms of which said right of way were thereafter modified by an agreement between said Miller & Lux, Incorporated, and said Standard Oil Company by agreement dated February 19, 1908; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by deed dated June 3, 1908.

(h) An undivided interest in that certain right of way granted by Midway Valley Oil Company, a corporation, to said Standard Oil Company by deed bearing date December 30, 1910, which said deed was on the 10th day of January, 1911, recorded in the office of the County Recorder of said County of Kern, State of California, in Liber 243 of Deeds, at page 334 thereof; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by deed bearing date June 3, 1912.

(i) An undivided interest in that certain right of way granted by D. Kinsey to said Standard Oil Company by deed dated February 6, 1911, which said deed was on the 8th day of February, 1911, recorded in the office of the County Recorder of said County of Kern, State of California, in Liber 249 of Deeds at page 75 thereof; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by deed bearing date June 3, 1912.

(j) An undivided one-third interest in that certain right of way granted by Southern Pacific Railroad Company, a corporation, to Standard Oil Company, by an instrument bearing date March 13, 1911; an undivided one-third interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 12, 1911.

(k) An undivided one-third interest in that certain right of way granted by Southern Pacific Railroad Company to Standard Oil Company by an instrument bearing date October 8, 1910; an undivided one-third interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 12, 1911.

(l) An undivided interest in that certain right of way granted by Southern Pacific Railroad Company, a corporation, to said Standard Oil Company by deed bearing date July 9, 1907; an undivided interest in which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date June 3, 1912.

(m) An undivided one-third interest in that certain right of way granted by Southern Pacific Railroad Company, a corporation, to said Standard Oil Company by instrument bearing date May 28, 1909; an undivided one-third interest in which right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 12, 1911.

(n) That certain right of way granted by Alaska Pioneer Oil Company, a corporation, to California Natural Gas Company by deed bearing date November 29, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Book 264 of Deeds, at page 171

thereof.

(o) That certain right of way granted by Mays Consolidated Oil Company, a corporation, to California Natural Gas Company by deed bearing date November 27, 1911; which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds at page 183 thereof.

(p) That certain right of way granted by Mays Consolidated Oil Company, a corporation, to California Natural Gas Company by deed bearing date November 27, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds at page 182 thereof.

(q) That certain right of way granted by United Oil Company, a corporation, to California Natural Gas Company by deed bearing date September 8, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 195 thereof.

(r) That certain right of way granted by Midland Oil Company, a corporation, to California Natural Gas Company by deed bearing date February 28, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 198 thereof.

(s) That certain right of way granted by Cheney-Stimson Oil Co., a corporation, to California Natural Gas Company by deed dated September 14, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds at page 174 thereof.

(t) That certain right of way granted by Hale-McLeod Oil Company, a corporation, to California Natural Gas Company by deed dated August 25, 1911, which said deed was on the 26th

day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, at page 207 thereof.

(u) That certain right of way granted by Hale-McLeod Oil Company, a corporation, to California Natural Gas Company by deed dated August 25, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 205 thereof.

(v) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 185 thereof.

(w) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 187 thereof.

(x) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 190 thereof.

(y) That certain right of way granted by Crescens Oil Company, a corporation, to California Natural Gas Company by deed bearing date December 18, 1912, over lands situate in the Northwest quarter of the Southwest Quarter of Section Twenty-five (25), Township Thirty-two (32) South, Range Twenty-three (23) East, Mount Diablo Base and Meridian.

(z) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 186 thereof.

(aa) That certain right of way granted by North American Oil Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 189 thereof.

(bb) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 188 thereof.

(cc) That certain right of way granted by Esperanza Consolidated Oil Company, a corporation, to California Natural Gas Company by deed dated September 7, 1911, which said deed was on the 26th day of March, 1912, recorded in Book 264 of Deeds, page 177 thereof, in the office of the County Recorder of said County of Kern.

(dd) That certain right of way granted by Southern Pacific Railroad Company, a corporation, to California Natural Gas Company by an instrument bearing date December 23, 1911, over a designated route in Section Twenty-one (21), Township Thirty-two (32) South, Range Twenty-four (24) East, M.D.B. & M., and Section Twenty-five (25), Township Twelve (12) North, Range Twenty-four (24) West, S.B.B. & M.



(ee) That certain right of way granted by Southern Pacific Railroad Company, a corporation, to California Natural Gas Company by an instrument bearing date November 4, 1911, over a designated route in Section Thirty-three (33), Township Thirty-two (32) South, Range Twenty-four (24) East, M.D. B. & M.

(ff) That certain right of way granted by Union Oil Company of California, a corporation, to California Natural Gas Company by deed dated March 8, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 196 thereof.

(gg) That certain right of way granted by Esperanza Consolidated Oil Company, a corporation, to California Natural Gas Company by deed dated September 7, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 176 thereof.

(hh) That certain right of way granted by Section Twenty-five Oil Company, a corporation, to California Natural Gas Company by deed dated November 27, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 194 thereof.

(ii) That certain right of way granted by Safe Oil Company, a corporation, to California Natural Gas Company by deed dated November 24, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deed, page 193 thereof.

(jj) That certain right of way granted by Knob Hill Oil Company, a corporation, to California Natural Gas Company, by deed dated August 25, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deed, page 180 thereof.

(kk) That certain right of way granted by B.H.C. Oil Company, a corporation, to California Natural Gas Company by deed dated November 24, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 173 thereof.

(ll) That certain right of way granted by Babcock Oil Company, a corporation, to California Natural Gas Company by deed dated August 8, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, Page 172 thereof.

(mm) That certain right of way granted by Edmonds Midway Oil Company, a corporation, to California Natural Gas Company by deed dated December 12, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 175 thereof.

(nn) That certain right of way granted by Wellman Oil Company, a corporation, to California Natural Gas Company by deed dated February 20, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 197 thereof.

(oo) That certain right of way granted by Pierpont Oil Company, a corporation, to California Natural Gas Company by deed dated August 23d, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 208 thereof.

(pp) That certain right of way granted by Mascot Oil Company, a corporation, to California Natural Gas Company by deed dated December 12, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 184 thereof.

(qq) That certain right of way granted by American Oilfields Company, a corporation, to California Natural Gas Company by deed dated December 1, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 201 thereof.

(rr) That certain right of way granted by American Oilfields Company, a corporation, to California Natural Gas Company by deed dated February 28, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deed, page 199 thereof.

(ss) That certain right of way granted by Chanslor-Canfield Midway Oil Company, a corporation, to California Natural Gas Company by an instrument bearing date April 15, 1913, for a pipe line upon and across the east half of the southeast quarter of Section Thirty-one (31) Township Thirty-one (31) South, Range Twenty-three (23) East, and Sections Nine (9) and Ten (10), Township thirty-two (32) South, Range Twenty-three (23) East, M.D. B. & M.

(tt) That certain right of way granted by W.J. Murphy and Baltimore Oil Company, a corporation, to California Natural Gas Company by deed bearing date January 9, 1913, for a pipe line in the southwest quarter of the southwest quarter of Section Twenty-eight (28), Township Thirty-two (32) South, Range Twenty-

four (24) East, M.D. B. & M.

(uu) That certain right of way granted by Dunlop Oil Company, a corporation, to California Natural Gas Company by deed bearing date April 1, 1913, for a pipe line in the north-west quarter of the northwest quarter of Section Twenty-six (26) Township Thirty-two (32) South, Range Twenty-three (23) East, M. D. B. & M.

(vv) That certain right of way granted by Miller & Lux, Incorporated, a corporation, to California Natural Gas Company by an instrument bearing date December 20, 1913, for a pipe line in Section Twenty-two (22), Township Thirty (30) South, Range Twenty-five (25) East, M. D. B. & M.

(ww) That certain right of way granted by Southern Pacific Land Company, a corporation, to California Natural Gas Company by an instrument bearing date December 23, 1913, for a pipe line in Section one (1), Township Thirty-one (31) South, Range Twenty-four (24) East, M. D. B. & M.

(xx) That certain right of way granted by Southern Pacific Company, a corporation, to California Natural Gas Company by an instrument bearing date March 20, 1912, for a pipe line across the railroad right of way of said Southern Pacific Company at or near its Engineer's Station 4112 + 25.7 in the said County of Kern.

(yy) That certain right of way granted by Southern Pacific Company, a corporation, to California Natural Gas Company by an instrument bearing date September 1, 1915, for a pipe line along the railroad right of way of said grantor near the town of Waits in said County of Kern, State of California.

(zz) That certain right of way granted by Southern Pacific Company, a corporation, to California Natural Gas Company by an instrument bearing date February 15, 1916, for a pipe line across the railroad right of way of said grantor near Derwent station in said County of Kern.

(aaa) That certain right of way granted by John Enas to California Natural Gas Company by deed dated December 20, 1915, which said deed was on the 20th day of January, 1916, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 270 thereof.

(bbb) That certain right of way granted by T.A. Wells to California Natural Gas Company by deed dated May 19, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 1 thereof.

(ccc) That certain right of way granted by Marguerite T. McCray to California Natural Gas Company by deed dated May 22, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 2.

(ddd) That certain right of way granted by A.G. Wishon Company, a corporation, to California Natural Gas Company by deed dated June 11, 1915, which said deed was on the 19th day of October recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 3 thereof.

(eee) That certain right of way granted by Katherine Johnson and O.P.M. Mills to California Natural Gas Company by deed dated May 25, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304, of Deeds, page 5 thereof.

(fff) That certain right of way granted by Vance W. Treadway to California Natural Gas Company by deed dated May 19, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 16 thereof.

(ggg) That certain right of way granted by Laura Hitt to California Natural Gas Company by deed dated May 21, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 18 thereof.

(hhh) That certain right of way granted by W.W. Duggins to California Natural Gas Company by deed dated May 21, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 20 thereof.

(iii) That certain right of way granted by W.H. Francis to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 21 thereof.

(jjj) That certain right of way granted by W.T. Robinson to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 22 thereof.

(kkk) That certain right of way granted by R.H. Copeland to California Natural Gas Company by deed dated June 1, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 24 thereof.

(lll) That certain right of way granted by M.G. Hart to California Natural Gas Company by deed dated May 26, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 25 thereof.

(mmm) That certain right of way granted by R.W. Morgan to California Natural Gas Company by deed dated May 27, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 26 thereof.

(nnn) That certain right of way granted by J.W. Noble to California Natural Gas Company by deed date May 26, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 27 thereof.

(ooo) That certain right of way granted by J.M: Hitchcock to California Natural Gas Company by deed dated June 1, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 29 thereof.

(ppp) That certain right of way granted by P.L. Jewett to California Natural Gas Company by deed dated June 10, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 30 thereof.

(qqq) That certain right of way granted by Harry J. McAllister to California Natural Gas Company by deed dated May 26, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 31 thereof.

(rrr) That certain right of way granted by E.P. Hoisington to California Natural Gas Company by deed dated May 24, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 32 thereof.

(ss) That certain right of way granted by Lucy Eleanor Jewett to California Natural Gas Company by deed dated June 10, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 34 thereof.

(ttt) That certain right of way granted by Bakersfield Realty and Building Company to California Natural Gas Company by deed dated June 1, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 35 thereof.

(unn) That certain right of way granted by Emma K. Storrs to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 37 thereof.

(vvv) That certain right of way granted by H.E. Hodgins to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 38 thereof.

{www) That certain right of way granted by John Cody to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 39 thereof.



(xxx) That certain right of way granted by A.W. Town to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 41 thereof.

(yyy) That certain right of way granted by Amos Weller to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 42 thereof.

(zzz) That certain Right of Way, granted by Eugene Whitt to California Natural Gas Company by deed dated May 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 44 thereof.

(aaaa) That certain right of way granted by L. W. Johnson to California Natural Gas Company by deed dated May 28, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, Page 45 thereof.

(bbbb) That certain right of way granted by Miller & Lux, Incorporated, a corporation, to California Natural Gas Company by deed dated July 29, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 46 thereof.

(cccc) That certain right of way granted by John Kruger to California Natural Gas Company by deed dated May 28, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 49 thereof.

(dddd) That certain right of way granted by Eva May Bulgar to California Natural Gas Company by deed dated May 25, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 51 thereof.

(eeee) That certain right of way granted by I.W. Marbaugh to California Natural Gas Company by deed dated May 21, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 52 thereof.

(ffff) That certain right way granted by W.W. Kaye to California Natural Gas Company by deed dated May 20, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 54 thereof.

(gggg) That certain right of way granted by A.L. Renfro to California Natural Gas Company by deed dated May 21, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 55 thereof.

(hhhh) That certain right of way granted by Kern County Land Company, a corporation, to California Natural Gas Company by deed dated July 31, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 6 thereof.

(iiii) That certain right of way granted by Kern County Land Company, a corporation, to California Natural Gas Company by deed dated July 31, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County

Recorder of said County of Kern, in Liber 304 of Deeds, page 56 thereof.

(jjjj) That certain right of way granted by Warren Olney, George L. Bishop and R.D. Houghton to California Natural Gas Company by deed dated June 4, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 304 of Deeds, page 70 thereof.

(kkkk) That certain right of way granted by J.H. Mosher to California Natural Gas Company by deed dated May 7, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Book 301 of Deeds, page 20 thereof.

(llll) That certain right of way granted by Michael J. Burke to California Natural Gas Company by deed dated May 7, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 301 of Deeds, page 21 thereof.

(mmmm) That certain right of way granted by Lin Creason to California Natural Gas Company by deed dated May 7, 1915, which said deed was on the 19th day of October, 1915, recorded in the office of the County Recorder of said County of Kern, in Liber 301 of Deeds, page 22 thereof.

(nnnn) That certain right of way granted by Southern Pacific Land Company, a corporation, to California Natural Gas Company by an instrument bearing date July 23, 1915, for a pipe line in Section Twenty-five (25), Township Thirty-one (31) South, Range Twenty-three (23) East and in Section Twenty-one (21), Township Thirty-one (31) South, Range Twenty-four (24) East, and in Section Fifteen (15), Township Thirty-one (31) South, Range Twenty-four (24) East, M.D. B. & M.

(oooo) That certain right of way granted by Southern Pacific Company, a corporation, to California Natural Gas Company by an instrument bearing date August 2, 1915, for a pipe line along and across the railroad right of way of said grantor used in the operation of its Kern River Branch railroad.

(pppp) That certain right of way granted by Southern Pacific Company, a corporation, to California Natural Gas Company by an instrument bearing date June 22, 1915, for a pipe line across the railroad right of way of the grantor at its Engineer's Station 4079 + 22.5 in said County of Kern.

(qqqq) That certain right of way granted by Atchison Topeka and Santa Fe Railway Company, a corporation, to California Natural Gas Company by an instrument bearing date August 20, 1915, for a pipe line across the railroad right of way of the grantor at mile post 894 + 2890.1 near the station of Rosedale in said County of Kern.

(rrrr) That certain right of way granted by Southern Pacific Land Company, a corporation, to California Natural Gas Company by an instrument bearing date January 7, 1916, for a pipe line in Section Seven (7), Township Twenty-nine (29) South, Range Twenty-eight (28) East.

(ssss) That certain right of way granted by Empire Gas and Fuel Company, a corporation, to California Natural Gas Company by deed bearing date December 21, 1912, for a pipe line in Section Fifteen (15), Township Thirty-two (32) South, Range Twenty-three (23) East, M. D. B. & M.

(tttt) That certain right of way granted by Continental Petroleum Company, a corporation, to California Natural Gas Company by deed dated May 9, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County

Recorder of said County of Kern, in Liber 264 of Deeds, page 203 thereof.

(uuuu) That certain right of way granted by Esperanza Consolidated Oil Company, a corporation, to California Natural Gas Company by deed dated September 7, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 179 thereof.

(vvvv) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 191 thereof.

(www) That certain right of way granted by North American Oil, Consolidated, a corporation, to California Natural Gas Company by deed dated September 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 192 thereof.

(xxxx) That certain right of way granted by Marion Oil Company, a corporation, to California Natural Gas Company by deed dated October 11, 1911, which said deed was on the 26th day of March, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 264 of Deeds, page 181 thereof.

(yyyy) That certain right of way granted by Kern County Land Company, a corporation, to California Natural Gas Company by deed dated July 5, 1912, which said deed was on the 26th day of July, 1912, recorded in the office of the County Recorder of said County of Kern, in Liber 273 of Deeds, page 158 thereof.

(zzzz) That certain right of way granted by American Oilfields Company, a corporation, to California Natural Gas Company by deed bearing date December 13, 1912, for a pipe line in the Northeast quarter of Section Thirty-two (32), Township Thirty-two (32) South, Range Twenty-four (24) East, Mount Diablo Base and Meridian.

(aaaaa) That certain right of way granted by Southern Pacific Land Company, a corporation, to California Natural Gas Company by an instrument bearing date January 6, 1913, for a pipe line in Section Twenty-nine (29), Township Thirty-two (32) South, Range Twenty-four (24) East, M.D. B. & M.

(bbbbb) That certain right of way granted by Miller & Lux, Incorporated, a corporation to Standard Oil Company, a corporation, by deed dated February 27, 1911, which said deed was on the 7th day of March, 1911, recorded in the office of the County Recorder of said County of Kern, in Liber 249 of Deeds, page 295 thereof, which said right of way was thereafter assigned by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 21, 1911.

(ccccc) That certain right of way granted by John E. Bailey to Standard Oil Company by Deed bearing date November 30, 1910, which said deed was on the 9th day of December, 1910, recorded in the office of the County Recorder of said County of Kern, in Liber 243 of Deeds, page 109 thereof, which said right of way was thereafter transferred by said Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 21, 1911.

(ddddd) That certain right of way granted by L. Cohn to Standard Oil Company by deed dated December 16, 1910, which said deed was on the 17th day of December, 1910, recorded in the

office of the County Recorder of said County of Kern, in Liber 243 of Deeds, page 158 thereof, which said right of way was thereafter assigned by Standard Oil Company to California Natural Gas Company by an instrument of transfer bearing date October 21, 1911.

(eeeeee) That certain contract bearing date March 21, 1912, between Sunset Railway Company, a corporation, and California Natural Gas Company and that certain contract bearing date March 21, 1912, between The Atchison Topeka and Santa Fe Railway Company and California Natural Gas Company wherein and whereby said Sunset Railway Company and said The Atchison Topeka and Santa Fe Railway Company severally and individually granted to California Natural Gas Company the right of laying and maintaining pipe lines to be used in the business of carrying oil, water and gas, and to erect and maintain telegraph and telephone lines across the tracks and rights of way of the railroads owned, leased or operated by said two corporations, or either thereof, in the State of California.

(fffff) That certain permit bearing date June 19, 1915, from the California Highway Commission to California Natural Gas Company to install a gas pipe line across the State Highway near Oil Junction in said County of Kern, being its permit No. 71.

(ggggg) That certain right of way granted by Honolulu Consolidated Oil Company, a corporation, to California Natural Gas Company by an instrument bearing date July 22, 1912, for a pipe line along the south line of Section Eight (8), Township Thirty-two (32) South, Range Twenty-four (24) East, M.D. B. & M.

(hhhhh) The following described frame structures on Section Fourteen (14), Township Thirty-two (32) South, Range Twenty-seven (27) East, M. D. B. & M., in which California

Natural Gas Company has a leasehold interest as aforesaid:

A one story frame structure forty-six feet x fifty-four feet heretofore occupied by California Natural Gas Company as an office building;

A one story frame structure 18 ft. x 30 ft. heretofore occupied by California Natural Gas Company as a garage;

A one story frame structure 30 ft. x 40 ft. heretofore occupied by California Natural Gas Company as a warehouse;

(iiii) All meters, regulators and other devices heretofore owned or used by said California Natural Gas Company in measuring and delivering gas to its consumers.

(jjjj) All furniture and office equipment and all meters, supplies, tools and other appliances heretofore owned or used by California Natural Gas Company in its business of collecting, transporting and distributing gas.

(kkkk) All other property of whatsoever kind and nature and description, whether real, personal or mixed, tangible or intangible, including moneys on hand and choses in action, of said California Natural Gas Company other than its corporate franchise.

TOGETHER with all and singular the tenements, hereditaments and appurtenances unto the foregoing described real property belonging, or in any wise appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof.