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Decision No. \_\_\_\_\_

ORIGINAL

Decision No. 4815

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of PRODUCERS GAS & FUEL COMPANY )  
for authority to issue its stock ) Application No. 3165.  
to the value of \$100,000.00 )

Murray Bourne, for applicant.

BY THE COMMISSION.

O P I N I O N

Producers Gas & Fuel Company asks for authority to issue and sell 1,000 shares of common stock at not less than \$80.00 per share, the proceeds to be used in constructing a natural gas transmission and distributing system.

Applicant was incorporated January 17, 1917, under the laws of the State of California. By Decision Number 4386, (Application No. 2742) dated June 12, 1917, as amended by supplemental orders, the Commission authorized applicant to exercise rights and privileges granted by Ordinance Number 120 of the County of Kern and Ordinance Number 35 of the City of McKittrick. A detailed description of the territory in which applicant intends to operate is found in Decision Number 4386. In general it includes the City of McKittrick and adjoining

territory, also the Belridge and Lost Hills oil fields of Kern County. Applicant's primary purpose is to sell natural gas to oil producers to be used as fuel under steam boilers, topping plant stills, etc. in lieu of crude oil. In addition it expects to serve the City of McKittrick with natural gas for domestic purposes. It has already constructed a portion of the distributing system necessary to serve this territory and at the present time has six consumers in the oil fields. Its supply of natural gas is located on properties controlled by Mr. E. L. Doheny. An agreement for the purchase of this gas at 5 cents per 1,000 cubic feet has been entered into between Mr. Doheny and applicant's president, Mr. W. G. Kerckhoff, but the formal contract has not yet been assigned to Producers Gas & Fuel Company. At the hearing witness for applicant testified that this contract will be assigned at any early date and that no consideration will be paid therefor.

Applicant has submitted a preliminary estimate of the expenditures necessary to complete its system. This estimate may be summarized as follows:-

Line from Doheny Well No. 1 to McKittrick (14,100 ft. 4-4½ and 4½ inch pipe)	\$7,400.
and Salvaging / Relaying	2,400.
Line from McKittrick to Oling Pump Station	9,500.
Domestic mains in Town of McKittrick (3500 ft. 2" pipe)	1,120.
75 Domestic services, McKittrick	1,150.
2 measuring stations around McKittrick	1,000.
Miscellaneous Expenses around McKittrick	880.
Line from Carneros Pump Station to Middlewater Pump Station (10,000 ft. 2 inch pipe)	<u>3,000.</u>
Amount Carried Forward	\$ 26,450.

Brought Forward	\$26,450.
Line from Belridge Oil Company's Well No. 2 to Carneros Pump Station (6,300 ft. 2" pipe)	2,010.
Line from Standard Oil Company's lease, to Union Oil Company's lease (2 miles 4" pipe)	7,660.
Line from Belridge Oil Company's Well No. 2 to Standard Oil Company's lease and Associated Oil Company's lease - (8 miles 4" pipe)	30,600.
Line from Petroleum Midway Company drilling well to Belridge Oil Company's gas line (3 miles 2" pipe)	5,070.
Lateral lines around Belridge and Lost Hills (3,300 ft. 2" pipe)	1,050.
10 measuring stations	5,000.
Miscellaneous expenses	<u>2,160.</u>
Total	\$80,000.

Subsequent to the hearing applicant reported that up to September 30, 1917, it had expended on the above estimate the sum of \$5,128.16.

Applicant has a total authorized issue of 1,000 shares of common stock of the par value of \$100.00 per share. It desires to sell all of this stock at a price to net the company \$80,000.00 and to use the proceeds in constructing its system as above outlined. Mr. A. B. Macbeth, applicant's general manager, stated that while no contract had been entered into for sale of this stock, he was certain that the stock could be disposed of at the figure named in the application.

A project of this character is of necessity highly speculative, depending not only upon the supply and cost of producing natural gas but of crude oil as well. It appears, however, that the promoters of this enterprise

will be performing an important public service if natural gas, which might otherwise be lost, can be conserved and made available for fuel in place of crude oil. In view of the facts heretofore set forth it appears that this application may be granted subject to the terms of the following order:-

### O R D E R

PRODUCERS GAS & FUEL COMPANY having applied to this Commission for authority to issue and sell 1,000 shares of capital stock of the par value of \$100.00 per share at a price to net the company not less than \$80.00 per share for the purpose of constructing a natural gas transmission and distribution system in Kern County as hereinbefore more fully set forth, and a public hearing having been held, and it appearing to this Commission that applicant's request is reasonable and should be granted and that the money, property or labor to be procured or paid for by such issue is reasonably required for the purposes specified in the order which purposes are not in whole or in part reasonably chargeable to operating expenses or to income;

IT IS HEREBY ORDERED that Producers Gas & Fuel Company be and it is hereby authorized to issue 1,000 shares of its capital stock of the par value of \$100.00 per share.

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

(1)- The stock herein authorized to be issued shall be sold so as to net applicant not less than \$80.00 per share.

(2)-The proceeds from the sale of the stock herein authorized to be issued shall be used solely for the purpose of constructing applicant's natural gas transmission and distribution system in Kern County in accordance with preliminary estimates filed with the application in this proceeding and marked Exhibit "A".

(3)-None of the stock herein authorized shall be issued until the contract with E. L. Doheny for supply of natural gas referred to in the preceding opinion shall have been assigned to applicant. A copy of said contract shall be filed with this Commission within fifteen days after the assignment thereof.

(4)-Producers Gas & Fuel Company shall keep separate, true and accurate accounts showing the receipt and application in detail of the proceeds of the sale of the stock herein authorized to be issued; and on or before the twenty-fifth day of each month the company shall make verified reports to the Railroad 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.

(5)-The authority herein granted applicant  
to issue stock shall apply only to such stock as shall  
have been issued on or before September 30, 1918.

Dated at San Francisco, California, this 7th -  
<sup>November</sup>  
day of ~~October~~, 1917.

Max Thelen

H. D. Howard

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James R. Decker

Commissioners.