

Decision No. 37202

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SUNSET LAND AND WATER COMPANY for
petition for permission to lease.

Application No. 26100

ORIGINAL

BY THE COMMISSION:

O P I N I O N

In this proceeding, Sunset Land and Water Company⁽¹⁾, a corporation, engaged as a public utility in the business of supplying water for domestic and other purposes to about 400 customers in the unincorporated town of Sunset Beach, Orange County, asks this Commission for authority to lease its underground oil and gas mineral rights to Standard Oil Company, a corporation, for a period of twenty years, in accordance with the terms and provisions of an oil and gas lease attached to the application as Exhibit "A," which exhibit is by reference made a part of this Opinion. The lands to be leased, upon which are located applicant's producing water wells, are particularly described in the application and consist of three parcels lying in a portion of the Rancho La Bolsa Chica and a portion of Location 221, State Tide Lands, situated in the Northeast Quarter of the Northwest Quarter of Section 29, Township 5 South, Range 11 West, S.B.R. & M., in Orange County, California.

These lands are part of the surrounding acreage which Standard Oil Company is leasing under separate lease agreement, for the purpose of developing oil and other hydrocarbon substances. Applicant, under the terms of the lease, will receive payments through royalties and rental in the ratio its lands bear to the surrounding acreage within the field leased by Standard Oil Company. Revenue which applicant may realize under said lease shall be accounted for as provided in the Uniform

Classification of Accounts for Water Corporations prescribed by this Commission,

Note: (1) Sometimes hereinafter referred to as applicant.

and properly identified in its annual reports regularly filed with the Commission.

The proposed lease should not interfere with the continued operation of applicant's water wells, for the reason that no drilling is to be done by Lessee on or from the surface of the lands to be leased, or through the subsurface within 200 feet of any of applicant's water wells. Applicant secures further protection by insertion in the lease of a clause which reads as follows:

"39. Notwithstanding anything in this lease to the contrary it is hereby understood and agreed that Lessee shall not locate any wells, including water wells, on the surface of the herein demised lands now owned by Sunset Land and Water Company hereinafter described, nor shall Lessee locate any of its facilities on the surface of said property of Sunset Land and Water Company except that Lessee shall have the right to construct, erect, maintain, use, operate, repair, replace and remove thereon and therefrom all pipe lines, power lines, telephone and telegraph lines and roads which are necessary or convenient for Lessee's operations hereunder, provided such facilities are located so as not to interfere with the operations of Sunset Land and Water Company on said property, and provided, further, that in the event that any such lines or roads do interfere with the operations of said Sunset Land and Water Company, Lessee agrees, at its own cost and expense upon sixty (60) days written notice, to relocate said lines or roads to another practical route to avoid such interference. Lessee also agrees not to locate any wells or drill through the subsurface within two hundred (200) feet of any water wells of Sunset Land and Water Company. It is further understood and agreed that Sunset Land and Water Company reserves the right to use their said property to develop, produce and store water thereon and to conduct any operations in connection with their business as a water company thereon."

Furthermore, as evidence of additional protection of the water producing strata, the lease contains a provision (Paragraph 26) whereby the Lessee undertakes to comply with all regulations of The California Division of Oil and Gas (which Division has established regulations designed to protect all fresh water strata), and also to protect all fresh water strata which may be encountered in the drilling of any wells on the premises by Lessee. The lease further reserves the right to applicant to use its lands to develop, produce and store water thereon and to conduct any operations thereon in connection with its business as a water company.

After investigation by one of the Commission's engineers, it does not appear that applicant's source of water supply will be interfered with either from

the standpoint of quantity or quality of the water; also, that said lease will not in any manner interfere with, injure or jeopardize the present and future operations of this utility in maintaining adequate and satisfactory service to its customers.

O R D E R

Application as entitled above having been filed with the Railroad Commission, the Commission having considered applicant's request and it being of the opinion that this is not a matter in which a hearing is necessary, and that this application should be granted, therefore,

IT IS HEREBY ORDERED that Sunset Land and Water Company, a corporation, be and it is hereby authorized to lease the lands described in the hereinabove Opinion, on or before August 1, 1944, to Standard Oil Company, a corporation, substantially in accordance with the terms and conditions set forth in the oil and gas lease agreement attached to the application herein as Exhibit "A" and by reference made a part of this Order.

IT IS HEREBY FURTHER ORDERED that Sunset Land and Water Company, a corporation, file with this Commission a certified copy of said oil and gas lease within twenty (20) days after the date upon which it is finally consummated.

For all other purposes, the effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at ~~San Francisco~~ California, this 11th day of July, 1944.

Richard L. Chase
Justus F. Gaumer
Francis R. Havenor

Ernest Russell
COMMISSIONERS.