May 17, 1952

Honorable Lyndon Johnson
United States Senator
231 U. S. Senate Building
Washington, D.C.

Dear Lyndon:

As stated to you over the telephone, I am enclosing a complete report from Roy Carter, my brother, who is Field Superintendent of my oil properties in West Texas. His letter speaks for itself and indicates the attitude of the Petroleum Administration for Defense not only seems inconsistent but thoroughly inpractical regarding the allocation of steel.

During my oil operations for the past few years I have drilled almost 200 wells; however for the past year my operations have been limited and until recently when I opened up a new pool in Lea County, New Mexico, where we have found three distinct pay sands at different levels. We first have the Devonian pay at 8,200 feet which requires 186 tons of steel per well; 1,100 feet deeper at 9,300 feet we found the McKee Formation which required 192 tons of steel per well; and, 500 feet deeper on the same lease we encountered the Ellenberger Formation at a depth of 9,800 feet which requires 201 tons of steel per well.

An application was filed with the Petroleum Administration for Defense for the third quarter of 1952 requesting tubular material to drill two wells to each of these horizans in the quarter and we were given an allotment of only 121 tons of steel which you can readily see is not enough tonnage to complete the Devonian which requires 186 tons, not even enough for one well.

We are now preparing to start a McKee well and the only way we could possibly drill the well is to borrow steel from other operators and truck this material more than 75 miles to our location, thereby materially increasing our cost. All these details you will find in the attached letter from Roy Carter.

Unless we can get additional allotments, we will be compelled to close down the one drilling rig we are operating. In other words, it has been my purpose to finish a well and move the rig over and drill an

additional well and continue this program until we could develop the lease which consists of 320 acres.

As indicated in the attached letter, the Petroleum Administration for Defense has worked out a formula of some sort based upon the amount of drilling an operator has done in the previous four quarters. Inasmuch as I had drilled no wells during that time, I have been curtailed each quarter on our requirements to such an extent that it has only been by reason of many friends in the industry who could and would lend me material that has enabled me to keep drilling with the one rig on a lease where three rigs would be perfectly justified.

Other operators are not securing all their needs and it is becoming increasingly difficult to find anyone who can lend material and when it is found, as stated above, it is not unusual to have to truck it considerable distances, incurring heavy trucking bills to obtain the material and again to return it to the lender.

As you will note the formula under which the Petroleum Administrator for Defense seems to be operating apparently makes no provision for any new operator entering the industry, or an old operator who had not drilled any new wells for one or two years coming back into it. So far, we have been unable to find anything in the regulations that would prohibit a person entering the oil business to drill his own lease in order to protect it against offsets.

I am not unmindful of the fact that the Petroleum Administrator for Defense has a difficult problem in attempting to satisfy the requirements of all operators in the oil business but it would seem there should be more flexibility to their formula which would permit an operator in a position such as I am to at least secure enough material to keep one rig operating on a very prolific lease. Ordinarily one only has one pay sand per well to drill on leases and in this particular lease we are finding three.

Incidentally, there seems to be considerable tonnage available in the "Gray Market" and the "Black Market" at prices ranging from twenty five to one hundred percent above the list price quoted by repusable suppliers through

regular channels. In line with my policy we have not purchased any of this "Gray Market" or "Black Market" material.

Frankly, Senator, there is a general feeling among the Independent Operators that they are not receiving a fair and square deal and that the allotments are dominated by people who seem to be better acquainted with the setup than the Independents. Personally, I think it is a damned outrage! There is a general sentiment in the industry that the entire setup would justify a thorough investigation.

Unless I can secure a fair allotment of pipe and material I will have to shut down operating only one rig when I really should be operating three on the lease. If you will investigate this matter thoroughly and find out why they would allot only 121 tons of steel on a well that requires 186 tons I would be delighted to be enlightened as it does not even make horse sense. When a well is started it is essential that you have sufficient pipe to drill it to the pay depth. No doubt there are many operators who have been allotted steel on the same impractical basis. In other words, my son, Amon Carter Junior, has had the same experience in the Spraberry Lease in Midland County where they were allotted insufficient tonnage to enable them to complete the well.

Hoping that you will have time to make a thorough investigation on this matter and thanking you, I remain

Sincerely,

AGC:kd

May 17, 1952

C O N F I D E N T I A L

Dear Lyndon:

I am enclosing herewith a letter from my brother who is Field Superintendent of my oil properties in West Texas. Just between you and me, Senator, this setup in the P. A. D. is thoroughly impractical, obnoxious and partial to certain people who are receiving pipe.

I was talking with Sid last night at dinner and told him what I was doing. He thoroughly concurred in my judgment as outlined in the attached letters. He thinks the thing is rotten. Meanwhile, insofar as the Administrator is concerned, please keep my letter and this memorandum to you as confidential as I have no desire to be black balled entirely on account of my protest. However, if you desire you can pass Roy Carter's letter along to the Administrator in connection with whatever protest you feel disposed to make.

I have just read a copy of President Truman's speech in which Truman made it plain that he intends to veto the bill passed by Congress yesterday to give the States title to the oil rich submerged lands off the coast, asserting the oil lobby wants to exploit these areas to suit themselves and added. "Talk about corruption, talk about stealing from the people, this would be robbery on a colossal scale, Robbery in broad daylight."

This is such a radical misstatement of facts that it should enable the Senate to secure enough votes to pass the Bill over the President's veto. He is thoroughly unfair, inconsistent and misleading the people on the facts. As a matter of fact it is a pure steel on the part of the Federal Government from the school children of Texas and in my estimation is a damned outrage. If the Federal Government can rob the school children of Texas in this way, it seems they are following some of the ideas of the Russian Government.

AMON G. CARTER
P. O. Box 1036
FORT WORTH, TEXAS

PLEASE ADDRESS REPLY
TO FIELD OFFICE
P. O. BOX 1688
KERMIT, TEXAS

May 15th, 1952.

Mr. Amon G. Carter,
P. O. Box 1036,
Fort Worth, Texas.

Dear Mr. Carter:--

On your E. C. Hill Lease in Lea County, New Mexico, we have recently discovered three producing horizons, as follows:

Ellenburger Formation at 9,800 feet, requiring 201 tons of steel per well; McKee Formation at 9,300 feet, requiring 192 tons of steel per well; Devonian Formation, at 8,200 feet, requiring 186 tons of steel per well.

We filed an application with the Petroleum Administration for Defense for the third quarter of 1952, requesting tubular material to drill two wells to each of these horizons in the quarter. We were given an allotment of only 121 tons of steel, which it can readily be seen is not nearly enough tonnage to complete one of the shallowest wells we wish to drill.

We are now preparing to start a McKee Well and we have the 13-3/8" casing required for the surface, but have only 900 feet of 9-5/8" casing and are having to borrow 2,100 feet of 9-5.8" casing to complete the intermediate string. We will have to truck this 2,100 feet an extra 75 miles to our location, thereby materially increasing our cost.

We will be short approximately 4,250 feet of our 7" oil string, after using up our third quarter allotment. This 4,250 feet we will have to borrow from someone, if we can find it, and unless we can secure some additional help on our supplemental application, we cannot even hope to order this material in the third quarter.

From the best information I have been able to secure, Petroleum Administration for Defense has worked out a formula of some sort based upon the amount of drilling an operator has done in the previous four quarters and since you, as an individual, had drilled no wells in this "Base Period" when we began our operations last September, we have been curtailed each quarter on our requirements to such an extent that it has only been by reason of the many friends you have in the industry who could and would lend you material that we have been able to keep one drilling rig operating on a lease where three rigs would seem perfectly justified.

Other operators are not securing all of their needs and it is becoming increasingly difficult to find anyone who can lend material and when it can be found, it is frequently a considerable distance from our location and we have heavy trucking bills to secure the

material and often a similar trucking charge to return the material to the person lending it.

From the best information I have been able to secure, many operators have been receiving allotments for from twenty five to forty percent of their requirements, but the 121 tons granted you on an application for 1,155 tons only represents 10.5% of your requirements.

The formula under which the P. A. D. seems to be operating apparently makes no provision for any new operator entering the industry or an old operator who had not drilled any wells for one or two years coming back into it, but I am unable to find anything in the regulations that would tend to prohibit a man entering the oil business to drill his own lease and protect it against offsets.

Undoubtedly the Petroleum Administration for Defense has a most difficult problem in attempting to satisfy the requirements of all operators in the oil business, but it would seem there should be more flexibility to their formula so that an operator in a position such as yours could at least secure enough material to keep one rig operating continuously.

Under normal conditions, we could and most likely would have three rigs in operation on your leases in New Mexico and it would seem to me that we are not unreasonable in undertaking to secure a minimum of enough material to keep one rig going. To do this and enable us to catch up with our borrowed material, we should have an increase in our third quarter allotment of at least 200 tons, making our total for the third quarter 321 tons instead of 121 as it now stands.

Unless we can secure some additional tonnage, it will be necessary that we shut down the rig we are now operating upon completion of the well we are now starting as it will take our allotment for another quarter to pay our debts on tonnage borrowed. This would mean that we would again prejudice our position by not drilling in the quarter in which we are paying our debts to people who have loaned us material.

As we all know, the need for crude oil is subject to fluctuation, but it is only by reason of drilling that is done when the need is not acute that the industry has been able to meet the peak demands made upon it for crude oil and its products and the are in which you are now drilling seems to be an ideal place to exchange tons of steel for barrels of production.

There seems to be considerable tonnage available in what is called the "Gray Market" and the "Black Market" at prices ranging from twenty five to one hundred percent above the list price quoted by reputable suppliers through the regular channels. We have been offered material at these higher prices from time to time, but

in line with your policy, we have not purchased any of this material and do not feel that we should be required to do so, feeling there is enough material available, if properly distributed, for all operators to have a reasonable amount.

Anything you may be able to do to help us secure an increased allotment will be appreciated very much as we have "Borrowed from Peter to pay Paul" until we have about exhausted the supply and patience of all of our friends.

Sincerely,

Roy E. Landers