

February 1, 1943.

Honorable Sam Rayburn,
Speaker of the House,
Washington, D. C.

Dear Sam:

Enclosed is a photostatic copy of a letter I received from an oil driller (Pat Ballow of Hobbs, N. M.), expressing his opinion regarding the adverse conditions prevailing in the oil business, which, incidentally, seems to be gradually growing worse. It is a sound, practical, sensible letter.

The current price of oil, on a parity basis, is 60% behind all other commodities, as indicated by the following data:

The average price in 1926, for 36 gravity Mid-Continent crude, the grade considered to be most nearly average, was \$2.13 per barrel. West Texas crude, of course, is not this high; but this figure is supposed to represent an average for all crude in the Mid-Continent area.

At \$1.29, crude oil is only 60.6% of parity, whereas most other commodities are very little under parity and some are above. For instance, prices today, compared with those prevailing in 1926, show the following "parity" figures:

Foods	103.4%
Metals	103.8
Building materials	110.4
Crude Oil	60.6

If the producers obtained an increase in price of 50¢ a barrel, the price of crude oil still would be only 84% of parity.

Many businesses have had subsidies and increases on the basis of necessity for national defense. The oil business has been kicked from pillar to post, and has had to stand more experimentation than most any other industry. The bulk of the present supply was

originally discovered by independent operators throughout the oil regions, and these are the ones who will be most severely hurt, if not ruined, by present policies. I can not see why our Government should insist on one particular class being penalized by being forced to carry the big end of the burden. It has been said that some of the big major companies would rather make \$1.00 and see the independents lose their shirts than to make \$2.00 and let the independents make \$1.00. This is not in keeping with constructive policies or fair treatment, and is an injustice that shouldn't be permitted to continue. If it is continued, independent oil producers would be justified in closing down their wells until such time as they could receive at least a living price.

The big major companies, in many instances, can make up their losses on production through other channels-- through retail sales, refineries, or pipe lines. What they lose on the bananas they can make up on the oranges. The independent has no such opportunity; he doesn't have any oranges.

I have one piece of property in West Texas, the Wasson pool, on which I have drilled 75 wells at a cost of more than \$3,000,000, which I had to borrow in order to drill the wells. The potential of these wells averaged over 1,000 barrels per day. We now are permitted to produce these wells only fifteen days each month, and on an allowable of only 33 barrels per day, making a total of 37,125 barrels a month from the 75 wells. On the same basis as New Mexico, where operators are permitted to run (the same grade of oil) 38 barrels a day for 30 days a month, my allowable in the Wasson pool would be 85,500 barrels a month, an increase of 48,375 a month, a substantial figure even for some major companies (on a percentage basis) let alone an independent. These wells could produce, without injury to their final productiveness, an average of 100 barrels per day per well for 30 days a month, or a total of approximately 225,000 barrels, as against 37,125 barrels a month. Yet, we are allowed only \$1.00 a barrel for the oil, though there is more than a prospect that within the next twelve to eighteen months the nation may be howling its head off for more oil, regardless of price, as we are consuming more oil each year than new discoveries amount to-- hence we are paying dividends, so-to-speak out of capital.

In the Wason pool referred to above, I drilled the discovery well in 1936 at a depth of 5000 feet. It was as wild as a March hare. I secured the lease from a major company that didn't feel justified in drilling it. This well opened an entirely new pool in this region, in which there are now more than 2500 producing wells with an available reserve of approximately 500,000,000 barrels of oil. A little over two years ago, I drilled a deep test on this property to a depth of 11,105 feet, which cost \$240,000. I received contributions amounting to \$31,000 from three major companies, leaving \$209,000 as the cost to me of this one well. Other major companies in this territory, that should have been equally interested in exploring various pays to this depth, declined to contribute anything, notwithstanding that the drilling of this well would supply them with valuable information on these unexplored depths.

On this development, I discovered additional pays at 6800 feet and at 7200 feet. Since then the OPG has persistently refused me permission to drill additional wells to these depths. It even went so far as to refuse me permission to drill two 5000-foot tests adjoining the location of the deep test, in order to complete my regular drilling program of one well to each 40 acres for the 5000 foot level. It claimed that wells should be permitted only on a surface and not a drainage basis. A rule of this kind is simply cockeyed, and merely the result of red tape and regulations, which in my opinion have been influenced by the major companies, who appear to me to be in the saddle. It's similar to driving a horse to water and not only insisting on his drinking but trying to make him as uncomfortable as possible while he's doing so. In other words, I have pioneered the drilling of three discovery wells to the above mentioned depths and the chances are I shall never live to see the property pay out, because we are hamstrung with selective buying, major companies operating the pipelines and the Government holding the price to a starvation point. Yet we are supposed to be fighting for the liberty of our country and its people!

I am now drilling a wildcat well in West Texas, which has reached a depth of more than 8000 feet and will be carried down to 9500 feet to test two more pays, having already passed through one pay at 3,000 feet and another at 7200 feet. I probably will cost over \$100,000, and under the present allowable and price it will take many years to get the money back.

In the past, when there has been an opportunity to raise the price of crude oil, a few big dominating major companies have declined to go along. If the Government wishes to be a party to this kind of racket, I presume there is nothing we independents can do but grin and bear it. You have no doubt noted that during the past twelve months many large independent operators have had to sell out to the majors, and in most cases at sacrifice prices. That the independents are gradually losing out in their battle to survive is revealed by recent statistics, which show that, though the majors controlled only 52.7% of the nation's reserves in 1939, in 1942 they controlled 70%. This is a rather high mortality rate for independents. It has been further increased through sales of properties in the last few months, including three large independents in Fort Worth.

In the last session of the Texas legislature, a bill was introduced (the Clark-Hill bill) which would have given the Railroad Commission unlimited power to do almost anything it desired. This was supported by the majors, some of them in particular, and it was generally believed that the bill itself was prepared by an attorney of one of the large major companies. Representative Clark, one of the co-authors of this bill, is now one of the backers of a new bill legalizing the pooling, or unitization, of the various leaseholders in any pool. It is reported that the major companies who were supporters of the original bill are backing the new bill. If enacted, it would harm the royalty owners and mean the virtual extinction of small leaseowners and independent operators, in that it would take from them any choice as to the drilling of their own properties. The Government OTC regulation, under the guise of national defense, has gone a long way toward the same thing.

My guess is that when the majors have absorbed all the little suckers, like myself, in the business, the public likely then will have to pay from \$2.00 to \$3.00 a barrel for oil. The majors in the meantime will no doubt have had a change of heart, will right-about-face, and figure that oil producers, after all, are entitled to make a profit.

I believe this ridiculous situation could have been avoided, if Secretary Ickes had been permitted to handle the oil problem in all its phases

and Leon Henderson not have been permitted to say arrogantly, in sum and substance, to the oil producers, as well as to many other industries: go to hell; he didn't care what it cost, he wouldn't allow an increase in price. However, there should be some consolation; we have had a change in that department which should be gratifying to the public.

Another glaring irregularity and imposition, which borders on piracy, is the fact that the major companies, owning the bulk of production in New Mexico, are allowed 38 barrels a day per well for the entire month and are permitted to transport this same oil (of the same grade) through the Wesson pool, just across the line in West Texas, where we are allowed to produce only 33 barrels a day for fifteen days of each month. This gives us an average on a 30-day basis, of only 16½ barrels per day per well, as against 38 barrels per day allowed in New Mexico. Incidentally, the bulk of this top allowable in New Mexico, which is in excess of the Texas allowable just across the border, comes from Federal-owned land and Government short-term leases. It is to the advantage of the major producers to get this oil out as quickly as possible, but to the disadvantage of the Government. This further shows the inconsistency of the major companies, where they dominate the situation. Will you please tell me why this cut-throat method is tolerated by the Government? All these things tend firmly to convince the independent that the major companies, through one method or another, are gradually strangling him to death, thus forcing many of them to sell out to the majors, and usually on the majors' own terms.

Many producers have proposed that while the Government is footing the bill for the majority of pipeline projects under way it should take up all lines not now in actual use, and have them relaid where they could be of more advantage. For example, there are two lines in West Texas, with a total capacity of 100,000 barrels per day, which are now idle and have been for almost a year, while the eastern section is crying for oil. One of these lines, laid from El Paso to California, would greatly help West Texas and give the Pacific Coast the oil needed to fill Army and Navy requirements on the Pacific. Statistics show that California refineries are having to draw on storage to fill normal requirements.

The President has stated from time to time that it was his desire to protect the little man and the independent operator. If he ever should have the opportunity to investigate the oil situation, I am sure he would find a fertile field in which to operate.

I realize this is a longer letter than I should send you and that you are not personally responsible; but at least it enables me to give vent to what I consider an outrage that shouldn't be permitted to continue.

Sincerely,

AGC.KD

Hobbs New Mexico
Jan 26 - 43

Mr Amos G. Barber
70 Star Telegram
Dear Sir -

As many unpleasant things are coming our way just now, maybe a little foresight into the near future would help us to prepare for some things that are going to happen that can be avoided.

Being an oil driller since the last war hasn't blinded me any to the fact that this war is going to be won with five ~~the~~ essential things, guts, steel, oil, groceries and a lot of faith.

The oil part is my concern and its very darned important too, I hate seeing the oil ~~business~~ industry get a slap in ~~in~~ the face from almost every farmer Politico who has been sent to Washington. Don't they realize that these high paying defense jobs have taken more men out of oil field work than off the farm? and you can replace farm labour, but oil field work can not be replaced by any one who comes along.

It's high time that the price of crude oil is raised, there is so much dependent upon it. At present a few men are finishing their jobs building these air bases and if some drilling would start they could be kept here and return to their trade, but if the slump continues they will have to become drifters, and as soon as this thing ~~thing~~ ends, 'Grapes of Wrath' times will return.

Maybe we will have enough oil to see us through and maybe not, but it would be a good investment to have a small surplus instead of running out at the wrong time.

~~Please don't refer me to some broad~~

~~at~~ Of course you have seen all this coming too and there is probably nothing we as individuals can do about it but hope for the best, But it's damn high time for some one to pull something out of the hat besides more farming equipment.

Yours Truly,
Pat Ballou.