

March 22, 1945

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

Dear Sam:

Sometime ago, I sent you a small bucket of cigars. I realize you are busy and I am not worried about an acknowledgment, other than to know if the package went astray or if you received it.

I do not know how you feel about Westbrook Pegler's articles. Many of them I do not agree with him myself, on the other hand he certainly has been the means of bringing to the attention of the public a lot of interesting things that I consider seriously detrimental to the welfare of the Nation. I wonder what you think about the enclosed article? Many of my friends down here agree with it. Frankly, Sam, there seems to be more anxiety now on what is going to happen to us after the war is won and it looks as though the Government, unfortunately, has and is showing a tendency in many respects to break down, hold up or retard the constructive business development of the country. One thing I am grateful for and that is that we have a man like you in the position you occupy.

The recent U.S. Circuit of Appeals Court decision in New Orleans in which they declared that the cost of drilling an oil well cannot be charged to expense, but must be capitalized, would put all of the independent operators out of business and knock for a loop the majority of the big companies. That particular issue was not before the court as it has long been recognized (since in 1918) that the labor expense of drilling a well was a legitimate charge off. Pipe and supplies are deducted on a depreciation basis. I feel quite sure that it was not the original intention of Congress that this method should be changed. I presume that the case will be appealed; meanwhile, the only logical way to definitely settle it for all time to come would be for Congress to clarify this and avoid the recurrence of a decision like the one

handed down in New Orleans.

The oil industry has been confronted with an insistent demand on the part of the Government to push up production to a maximum. Texas has furnished about fifty percent of the tremendous production necessary to carry on and conduct war and the greater percent of high octane gas for the Air Corps. Labor and drilling expenses have come up from 25 to 40 percent - still the OPA will not permit an increase in the price of crude oil, while at the same time they are permitting the large major companies to make a barrel of money out of high octane gas which is controlled and handled by a few large major operators. The OPA's excuse for this is that the price is based on the increased cost. Still, they are not fair enough to consider this feature in connection with the price of crude oil which affects the 22,000 independent producers who do not own refineries or have an opportunity to participate in this "luscious gravy".

Now, on top of all of this, to have the Courts come back and declare that a driller is not entitled to charge off his labor expense in producing oil, but must, on the contrary, capitalize it, is adding insult to injury and would stop the drilling of practically all oil wells. I think there are only very few large companies in the oil industry that handle their drilling expense on that basis. If a manufacturer were not able to charge off his labor cost and were forced to capitalize it you can imagine what a hell of a fix the country would be in.

I guess I had better stop because I know how busy you are, but I did want to pass along these thoughts to you because I realize you are tremendously interested in anything constructive and for the benefit of our country.

Hope you are getting along the best you can under the circumstances, I am

Sincerely,