OIL -- THE LURE OF MODERN ADVENTURE
By JAMES C. YOUNG
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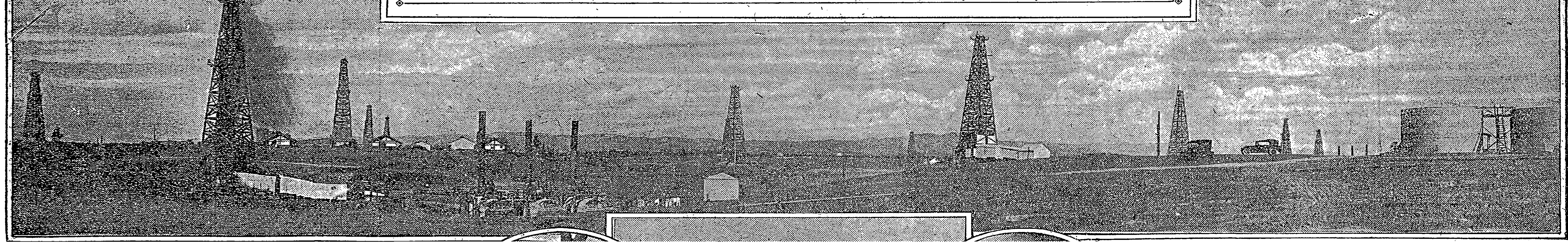
A Game Where Luck Predominates—Wildcatters' Experiences Compare With Gold-Craze Tales



Developing An Oil Field in Southern California. A Gusher Has Just Been Brought in. The Scene Is in the Richfield District, Twenty Miles East of Los Angeles.

STIRRING incidents of the great oil play are taking place in Washington, but they are only a few scenes of the whole vast drama. Many of the great adventures of today centre about oil, just as once they revolved about gold. Behind the events that have come to a focus in Washington there lies a background of amazing exploit and intrigue. In the following article the attempt is made to paint some of that background.

By JAMES C. YOUNG.

LUCK and oil go together. The man with a "hunch" wins where science fails or passes by. Some of the biggest producing properties in the county were "blown in" because a wildcat prospector followed his hunch. The toss of a dime—heads or tails—has determined where many a well would be sunk, and the man with the genius for calling the toss has gained wealth in six or eight figures. And science may have gravely shaken its head over the likelihood of oil being found in that particular spot.

The man without a bit of luck in his psychological make-up would do well to avoid oil. That seems to be the general agreement of the men who play the game. Even the heads of the industry refer to it as a game and not as the second or third American industry—which it is—with a capitalization of $8,000,000,000 and 16,000 active producing and manufacturing companies.

No other great industry offers the same lure of luck. Doubtless that is why thousands have turned to oil as their natural element. If we think of steel, motor-car production or railroading—three broad fields of activity—there is only a minimum of romance. The risk has been taken out of the movies to a great extent by factory methods of production and marketing. Even gold mining has given way to oil as the business of adventure.

Every time the price of crude oil goes up sufficiently high to insure a liberal margin for the lone operator there is a rush for new oil fields. Wildcatters take to the trail by hundreds. They carry along a camping outfit and a light drilling apparatus, run by gasoline. And they prospect for oil largely on the toss of a dime. Some of them win fabulous sums, most of them go broke. Summer is the great open season in the West for them, and the one just ahead promises to be the busiest they have ever had. Oil is strong and wildcatters all over the West are yearning for open weather to go forth in search of El Dorado.

The Big Gamble.

The big oil companies will watch their going with considerable interest. Every year some of these wildcatters bring in new fields. The most recent was discovered at Fort Collins, Col., and rumor says that it will be one of the richest in the West. But rumor always says that. It remains for science to complete what the wildcatter has begun. Geologists are swarming over the country around Fort Collins, tracing the rock formations, the character of the sand, and a dozen other indications that will assist in establishing the size of the field.

There never was another great business which depended so largely on the little man with a few dollars to do its development work. But oil development is so uncertain that the big operators prefer to let the wildcatter find the oil and then pay him what they must. Often this is a great sum to the wildcatter, but a mere drop of oil, so to speak, from the company's viewpoint. To a large degree the companies may be said to underwrite the wildcatter in the sense that he is assured of a prompt buyer waiting to pay ready money the moment he can bring in a well.

This business of bringing in a well has all the fascination of gambling on a great scale. Usually the wildcatter puts in but a few thousands of dollars against the chance that he may win millions—at least, hundreds of thousands. As a general thing he loses, but so does the gambler at roulette. Still, wildcatting and roulette thrive. One oil man estimated that perhaps a single wildcatter out of every hundred strikes petroleum in paying quantities. But every year the rush is greater, until certain parts of the West are literally dotted with wildcat outfits.

Just as the big oil operator underwrites the wildcatter in a measure, so the latter has turned to the public for support. It is not uncommon for a driller to take in the farmers roundabout, perhaps the merchants in a nearby town, on a share basis for a Summer's work in the neighborhood. He may sink one or two wells, maybe a half dozen, although the enthusiasm ordinarily runs out after a failure.

Hazards of the Wildcatter.

From the moment that a drill goes down until it comes up the last time a wildcatter's centre of operations is one of the most interesting places in the world, especially to those who have a share. In a typical countryside where oil has been reported, or its seekers are merely playing a "hunch," a wildcat outfit attracts a crowd of the curious the moment it goes into action. After the first hundred feet or so it is always possible that there will be a burst of gas, a scattering of the drilling apparatus and then a black rain of ugly, sticky, smelly petroleum—liquid gold.

Sometimes the oil forces a way up the drilling hole. In other cases the well has to be "shot" with nitroglycerin. And in either event there is always danger of fire. Many a well has blazed up and consumed oil by the thousands of dollars the moment that it was brought to light. This is one of the hazards of the wildcatter. In fact, every act of his life is a peril, financial and personal.

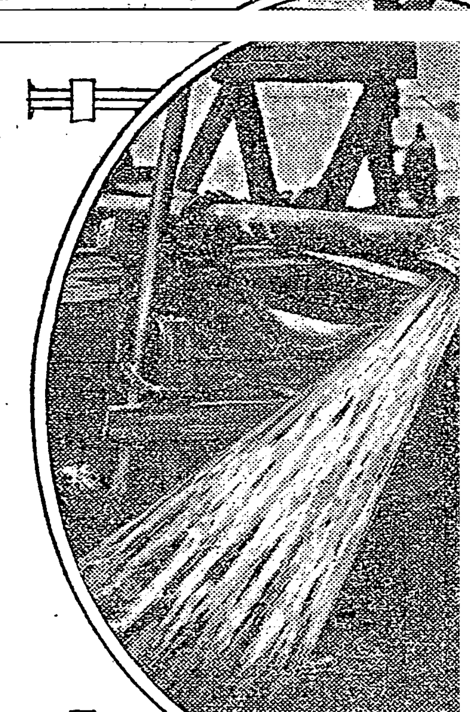
When a wildcatter strikes signs of oil the shares skyrocket and a market is established in even the remotest region. If he happens to be operating near any sizable town there is an immediate rush to participate. New wildcatters begin to appear every day, especially if the signs develop into a real well. Then there is a boom of the realty market, a scramble to invest all around and everybody takes to watching the wildcatters sink their drills deeper. When matters go favorably and the indications point to a real discovery, scouts of the big companies are promptly in the field and the weight of money begins to tell. It will not be many days until they have options on everything optionable. Often they reap with one sweep of the hand what the wildcatter has spent patient months in bringing to fruitage.

Another figure in the drama of oil is the squatter, who moves in and proceeds by primitive methods to undertake development of what is not his own. Sometimes these squatters get a well started. They had one in operation on the Teapot Dome when the Sinclair interests took charge. It was necessary to send a company of marines across the country to drive them off. According to one view in the oil trade, these men were not squatters but had settlers' rights under State laws passed years ago. In any event, they lost their claims at the point of the gun.

Claim-Jumping in Oil, Too.

Claim-jumping is a familiar part of the oil drama, just as it used to be in the days of the gold rush. Hardly a big field has been opened without a war over claims. More than one big company has been accused of employing bullies to drive off early comers. Murder is not an uncommon accompaniment of the struggle.

From oil has sprung the great romance of the modern world. Last year we consumed twice the supply of a dozen years ago in automobiles alone. And there were more great pools under drainage than ever before. Despite this huge increase in demand and supply, both are still gaining, and indications point to a shortage rather than a surplus. Opinion in the industry is widely varied as to just how serious a threat this may become. Some oil men say that if we continue to burn up gasoline at the same rate for another ten years, there must be a slackening of supply. But others point to the thousands of wildcatters and say that some of them will bring in all the oil we are likely to need for any conceivable period. They hold to the belief that there is plenty of oil under ground; that the solution merely is a matter of new discovery. For this they look to the wildcatter.



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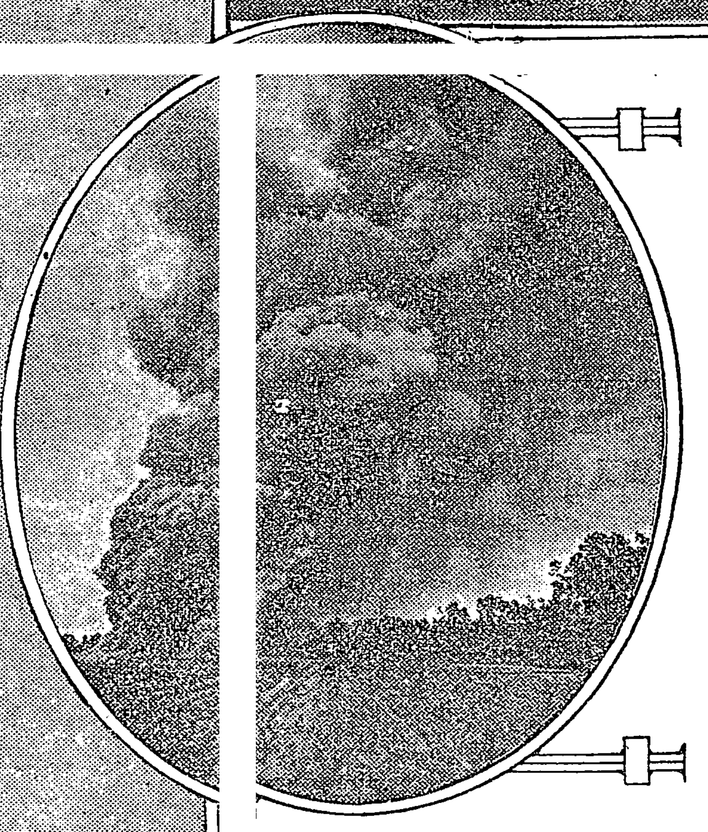
Harnessing a Gusher in the Damon Mound Field, Near Houston, Texas.

Just After the Strike—An Oil Geyser at Sante Fe Springs, Cal.



Oil Well on Fire at Eldorado, Ark.

Many of the big companies have highly organized exploration departments always on the lookout for oil. But, as already indicated, the company experts follow instead of lead. It is their business to penetrate where oil is found and endeavor to decide if it can be brought out in anything like commercial quantities. It is known, for instance, that there are great stores of oil at several places in South America, a thousand miles or more from transportation, and, therefore, worthless for any practical purpose at this time.

Some of the New Fields.

All of this intensive effort to find oil has brought in a number of new and promising fields during the last year. Some of the best are at Long Beach, Huntington Beach and Sante Fe Springs, Cal., Fort Collins, Col., the Kevin-Sunburst field in Montana and another at Smackover, Ark. The Colorado field is only twenty-one miles from Denver and a source of much interest in that city. A dozen lesser fields have been brought in during recent months, some of them close to other proved fields. It is one of the curious things about oil that certain deposits are isolated and can be reached by only a few wells, while others extend over considerable distances and new discoveries at distant points from the first strike are not unusual.

There are striking contrasts in the physical conditions accompanying the finding of oil. In the case of Kentucky oil, where deposits are near the surface, wells can be sunk at small expense and often pay handsomely. But the supply is limited and perhaps most of it has been brought under control. Going further west, varying conditions are met. Throughout the mid-continent field it costs something like $35,000 to sink an average well. When it is considered that perhaps 99 out of every 100 are "dusters," the hazards of the business become apparent. But the 100 to 1 ratio does not generally hold good in each field. Sometimes the wells which strike oil are fairly numerous and that encourages every other prospector to keep on. In the ultimate analysis the 100 to 1 odds are at work all the time.

Oil may be looked for at 2,400 to 3,400 feet in the average field outside of California, where it lies at greater depths. Some of the wells there are more than a mile deep and cost in excess of $100,000 each. It might be assumed that such difficulties would make it almost impossible for the wildcatter to pursue his vocation, but every visitor to Los Angeles is familiar with the horde of companies waiting there to unload their stock on the newcomer. Doubtless some of these companies have paid well, but the great majority are in the 100-to-1 classification. Nevertheless they succeed in selling sufficient stock to drill for wells and sometimes strike oil. The petroleum field right in the city of Los Angeles is so covered with wells that one crowds the other. It is a case of getting out your oil or the man next door will drain it off for you.

About 8,000,000,000 gallons of gasoline were burned in this country last year and not a gallon of that huge quantity can be restored. Gasoline is a small content of fuel oil, and all the efforts of science have not established how fuel oil comes into being. It is said to be a product of fish oil, long stored in the earth, according to one theory, and another explanation holds that it is a vegetable product. Whatever the facts, neither gasoline nor the crude oil from which it comes can be replaced. Unless the supply keeps pace with the demand it is wholly possible that civilization will find one of the principal agents of its mechanical age suddenly cut off. Every piece of machinery that turns in the world is dependent upon oil, and practically all of the lubricants originate in the common source under ground. If this source were exhausted, it would be difficult to supply enough vegetable or fish oil to take the place of petroleum. As for running the world's ships, automobiles and some of its trains, the thing would be impossible without a new source of power.

1,000,000,000 Barrels in 1923.

Last year there were more than 3,000 ships burning oil, and the movement to replace coal-burners by oil-burners is going ahead all over the world. In 1923 American production was 725,702,000 barrels, and large quantities of oil came into this country from Mexico, giving the industry a turnover which would easily exceed 1,000,000,000 barrels. This year the production will be even larger, and that section of the oil trade which is skeptical about supply looks askance at this growing production. The Government also has taken cognizance of the trend, and at least one official body, the Federal Trade Commission, is reported to favor some kind of regulation to control exports.

This suggestion of regulation is the bugaboo of the oil men. They look at it from the standpoint of the railway executives, who have opposed Federal regulation or ownership. The oil men are afraid of both. Recent disclosures have intensified this fear. They say that the "game" never could be the same free field for all comers if the Government undertook regulation. Particularly they fear restrictions which would limit the output. This is a majority opinion. There is a minority which believes that some kind of regulation might be acceptable.

Regulation already has begun, as a matter of fact, but the oil men say that it is not very stringent. Since 1916 the pipe lines have been common carriers, under jurisdiction of the Interstate Commerce Commission. There are 60,000 miles of trunk lines, some of them extending half way across the continent. Two big lines pour oil into tankers at Bayonne, brought from the far reaches of the mid-continent field by pipes and pumps. This is economical transportation in the fullest sense. All rates are subject to the commission's rulings and the pipe lines theoretically are common carriers in the same measure as the railroads. But the oil trade is happy in the fact that this regulation has not been stringent. What the trade fears is a hard and fast rule which would limit its conceptions of fair competition.

60,000 Miles of Pipe Lines.

Once more there is a division, because some of the oil men would like to see the pipe lines common carriers in the fullest degree. They contend that the big companies crowd out the smaller producers and keep the lines so clogged with oil that the independents often cannot obtain transportation, when they must turn to expensive tanks cars. This is a source of serious difference between the small operators and the large, and so far the large interests would seem to have all the better of the division.

With 60,000 miles of trunk lines under ground and thousands more projected, the pipe lines are a secondary transportation system, growing up alongside the railroads. They represent the cheapest method of moving a commodity which has been devised, and it is apparent that in their control rests in a large measure the control of petroleum. The majority of these lines are offshoots of the big producing companies, only a few being owned and operated for the profit of the lines alone, as in the case of the railroads. Thus the pipe line ownership and oil well ownership is centralized, just as the railroads formerly owned steamships, coal mines and other great properties. The small independent oil men—at least, many of them—would like to see the pipe lines wholly divorced from the oil wells.

Back of the efforts to obtain the Teapot Dome and Elk Hills naval oil reserves lay the urgent need of big operators for additional supplies at accessible points. Both of these were proved fields, close to other fields in operation for some time. It was a practically assured thing that oil lay underground in both places in large quantities. So the naval oil reserves were real plums—the two largest known fields which had been undeveloped.

Quick Riches for Indians.

There is only a handful of this proved ground which is not under work at this time. The dramatic enters again into the story of oil because most of these lands belong to Indians who otherwise would have but little save the tepee above their heads. But along comes the oil man and pays them great sums for their property. This property can be leased only with the consent of the Indians and through the Government, which acts as custodian of their funds. The most considerable plots of Indian oil lands—perhaps the best known fields yet to be developed—belong to the Osages in Oklahoma and the Navajos in New Mexico. Parcels of these lands have been leased from time to time and it is expected that another year or two will see all of the lands under development. They are leased through the Interior Department, of which Albert B. Fall until recently was Secretary. He underwent much criticism because of his policy toward the Indians.

Until a few weeks ago there were but two or three names in oil which meant much to the American public. Everybody knew Rockefeller, Sinclair and Doheny, long heralded as the leaders of the industry. But the public had no acquaintance with a dozen other men in the trade who stand forth as some of the biggest figures of American business. And beyond them there is a host of other oil men who have made millions and still their names find no place in the social registers of big business.

Standard Oil—so far as its operation goes—long since passed from the hands of the elder Rockefeller, and the younger never has been credited with a large share in its affairs. The two men who direct the destinies of the biggest Standard company are A. C. Bedford and Walter C. Teagle, Chairman and President of the Standard Oil Company, respectively, of New Jersey.

Standard Oil Leaders.

Bedford is known as the diplomat of the trade and Teagle as the "ideal oil man." He bears that description because much of his training was under the eye of the elder Rockefeller. According to the story as told by oil men, Teagle's father used to be a factor in oil in Ohio. He crossed swords with Rockefeller and lost and entered the Standard organization. Rockefeller then became acquainted with Teagle's son and the two men decided that they would bring him up with every possible advantage so that he might one day become the "ideal oil man." The first of these advantages consisted of a tuition spent on the seat of an oil wagon in Toronto. From there Teagle mounted the ladder until he is at the head of the greatest Standard unit, a company with assets of about $1,250,000,000, and one of the first two or three great aggregations of capital in the United States.

Teagle is aggressive, a little beyond 40, and looked upon as a man well fitted for his job. The Standard of New Jersey has embarked upon big policies since he came to the presidency.

The man at the head of the Standard Oil of Indiana is a different sort—Robert W. Stewart, Chairman, a former country lawyer, who came into Standard Oil power after the dissolution decree of a dozen years ago. This company has assets of about $325,000,000, and presumably is free of control from any other Standard company. It controls from 5 to 10 per cent. of all the gasoline produced in the United States and has worked the Salt Creek field, adjoining the Teapot Dome, for ten years. Stewart is regarded as one of the biggest men in the Standard companies and is a notable figure among those who have just begun to emerge into the public eye.

Two other big Standard units are the California and New York companies, both with assets above $300,000,000. The Standard group controls from 40 to 45 per cent. of the whole oil industry, according to the majority of estimates in the trade; some oil men place the figures as high as 60 per cent. And all of the Standard companies are growing. It was testified last year that the New York company had earned $253,817,550 since 1911. About the same time it also was testified that the Indiana company had made $89,560,000 in that period, and paid two stock dividends of 250 per cent.

The Big Independents.

The huge operations of the Standard are so well known that the public has taken the greatest interest in the independent operators. Sinclair and Doheny easily eclipse all others in this regard. Sinclair, the former drug clerk, heads a company credited with assets around $350,000,000, and Doheny, one-time grubstake prospector, can show assets close to $200,000,000, maybe more. Sinclair is not a large producer, but Doheny is the biggest producer in the Tampico field. Sinclair has figured largely in the last year or two as leading a quest for oil in far corners of the earth.

Another large factor in the first group, ranked by oil men right on the heels of the Standard companies, is the Texas Company, with assets of about $360,000,000. Elgood C. Lufkin, a financial man, is at the helm.

The Gulf Oil Corporation, showing a balance sheet around $300,000,000, is controlled by the Mellon family, and the present Secretary of the Treasury was prominent in its affairs until he entered the Cabinet. A nephew, W. L. Mellon, is President, and a brother of the Secretary, R. B. Mellon, is Treasurer.

A well-known name also appears at the head of the Pure Oil Company, which ranks in the $150,000,000 classification. B. G. Dawes, brother of General Charles G. Dawes, is the President.

A cluster of oil companies have assets in the neighborhood of $100,000,000, and the smaller fry run all the way down to the wildcatter who is putting out stock in the most remote gopher hole. The figure of 16,000 companies quoted before does not include wildcatters. It represents active producing and manufacturing agencies. A leader in the oil business expressed doubt if, on the average, these concerns had made more than 4 per cent. on their capital last year, regardless of the great profits rolled up by the Standard and other companies.

Fear Senator La Follette.

The shadow of Senator La Follette falls far across the oil men's outlook. He is credited with a plan to bring the pipe lines under stringent control and to introduce regulation of the industry. Developments of the last few weeks have gone so far to expose some conditions in the industry that they believe the Senator may begin a campaign almost any day for either or both of these plans. And those plans are the two things in the world that the big oil men dislike the most.

Turn in any direction, and the drama of oil is a vivid panorama of men dealing with a mysterious force of nature through a great centralization of capital. They have their fingers on the pulse of the world in the truest sense of the term. Shut off the flow of gasoline, and the throb of myriad engines stops.

Back of all the daring and enterprise that go into the production of oil is the god of luck himself. Even when it has been discovered and is flowing from a productive well at $1.25 a barrel, it is quite possible that a new well not far away will cut the price next day to 75 cents or less. Such an experience recently befell producers in the California field, where too much production brought prices down below the cost of operation. Perhaps the lowest recorded price was paid in Mexico some years ago, when the market fell to three cents a barrel. That happened just when Doheny was on the peak of the wave.

Every oil man loves his trade. It is not just a business, a means of livelihood, but a living romance in which they are the actors. Each day is a new act in which almost anything may happen.