

**LDIR#150**  
**OIL MATERIAL**  
**1958-1959**

From the Desk of

H. T. SUTHERLAND

Henry:

Attached is a copy of the paper I gave at the hearing last Thursday.

Enjoyed visiting with you again, and thanks for all the courtesies.

Regards,



Jan. 27, 1959

the Legislative Council, members of Alaska, ladies and gentlemen: and, of Los Angeles, where I am in company. We of the oil industry have the opportunity and privilege of meeting with you and your views regarding the possible leasing of State lands

the legislature enacted the form, and it is the portion of the oil and gas leasing of State lands that are directed.

With more than 99% of the lands in Alaska prior to statehood belonging to the United States and with perhaps 40,000,000 acres of Federal lands in Alaska now subject to either Federal oil and gas leases or applications for leases, you here in Alaska were, and are, familiar with the Federal Leasing Act, and so it was not surprising that your legislature patterned its statutes which were to govern the leasing of State lands after the Federal Leasing Act. This is as it should be, for under the provisions of the Federal Leasing Act and the regulations promulgated thereunder, the public lands of the United States have been efficiently and successfully administered for nearly forty years.

GENERAL RULES AND REGULATIONS

by the

ALASKA OIL AND GAS CONSERVATION COMMISSION

GOVERNING THE CONSERVATION OF OIL AND GAS IN ALASKA

under the authority of the

OIL AND GAS CONSERVATION ACT

Chapter 40, SLA 1955

Effective October 1, 1958

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Page 6

EDITORIAL PAGE

Friday, Sept. 5, 1958

## Good Laws Can Fan Interest In Oil

TWO MAGIC WORDS applied to Alaska have captured the imagination of America.

One is statehood. The fact that Alaska is to be the 49th state has fired up enthusiasm throughout the old 48. New people are coming here. Investors are looking for opportunities.

The other magic word is oil. The prospect of developing a substantial oil industry in Alaska has started a stampede of oil companies to get in on the ground floor and be part of it.

Statehood and oil are, indeed, a fascinating combination. The former gives Alaskans the political implements and the sovereign right to do great things for themselves. The latter provides an immediate opportunity for economic development.

THE OIL POTENTIAL has a special fascination because it inspires dreams of sudden riches.

Each person who owns a piece of ground, no matter how small, dreams of the day that it is found to contain the greatest oil reservoir in the world.

These dreams often prove a plague to the oil industry. They sometimes prompt the landowner to impede, delay or even prevent exploration.

This is easy to understand. A landowner who has heard of the fabulous wealth created by oil discoveries, is reluctant to sign away his rights for a small sum. The dreams often blind the man to the fact that the odds against there being oil on his property, are truly enormous.

The same applies to government. Unwise legislation seeking too large a slice of the oil wealth for the payment of taxes, can prevent exploration or stop it.

There are many problems that could prevent realization of the dreams now prevalent in the minds of Alaskans. The cost of exploration is much greater

requirements for development are so high that only the larger and richer oil operators can undertake it. The

ant roles elsewhere are barred from participation here.

ALASKANS ARE FORTUNATE, however, in their relationship with the oil industry. Their state government is assured of a fair slice of the oil wealth without special legislation.

The federal government will turn over to the state 90 per cent of its revenue. That means 90 per cent of all lease revenue, plus the same percentage of royalty payments will go into the state treasury. The royalty payments to the federal government will run 12½ per cent of the gross value of the oil produced.

Never before have Alaskans had such a large stake in the success of an economic venture. They had to fight the fish packers when they levied taxes amounting to one or two per cent of the value of the fish pack. The mining industry claimed it was being taxed to death when it had a three per cent tax on its gross production.

Alaskans are also fortunate that the territorial legislature has already enacted a conservation law pertaining to the use of oil reserves. This law has won the approval of major oil operators.

Under the conservation laws, get-rich-quick operators will not be permitted to ruin oil sands by letting wells run at peak capacity. There is already a commission with authority to prevent waste of the resource by exploiters who may be more interested in the dollar than in wise management policies.

This is a good start for the new state. Relations with the oil industry, thus far, have been fair and encouraging.

The state legislature will have measures before it that can give more encouragement. These measures will pertain to the use of state lands for oil exploration and production.

The legislature will adopt a policy of encouragement for the oil developers instead of blunting the boom before it gets fully under

# HUMBLE OIL & REFINING COMPANY

POST OFFICE BOX 2180

HOUSTON 1, TEXAS

## STATEMENT OF HUMBLE OIL & REFINING COMPANY ON RECOMMENDED AMENDMENTS TO ARTICLE IX (OIL & GAS LEASING) OF THE ALASKA LAND ACT

Mr. Chairman And Members Of The Alaska Legislative Council:

Humble Oil & Refining Company welcomes the opportunity of presenting to you its views with respect to recommended amendments to Article IX of the Alaska Land Act. Any inquiry into this subject involves a matter of major and immediate importance both to the State of Alaska and the petroleum industry. That matter concerns the basic oil and gas leasing system that is to be employed by the new State.

Oil and gas in place, or even the possibility of same, are valuable assets for a State to possess. Fortunately, it appears that Alaska embarks upon official Statehood in possession of these assets, among others. The development and realization of these assets can and should be administered wisely, thus greatly aiding the State in many fields of future progress. In our opinion, Alaska's selection of an oil and gas leasing system should be guided by at least three main considerations: (1) the obtaining of increased and needed revenue, (2) the encouragement of development, and (3) ease of administration of the system selected. The leasing system we recommend is best suited to meet and satisfy these standards. That system is one of competitive bidding for State leases with no acreage limitations on holdings. We recommend that the Alaska Land Act be amended to adopt such a system.

Humble's recommendations were urged in the recent hearings before the Alaska Land Board on December 11-12, 1958, in Anchorage. We wish to refer you to our supporting testimony, written statement and other evidence introduced at that hearing, the official record of which should be readily available for study by this Council or any other Legislative body or committee inquiring into this subject. Our recommendations were also made and a brief written statement thereof was introduced during the hearings held in Anchorage on January 13-14, 1959, before a subcommittee of this Council.

## STATEMENT OF GORDON A. GOODWIN

My name is Gordon A. Goodwin. I am an attorney in the legal department of the Richfield Oil Corporation. I am appearing here today in a representative capacity for the same 14 oil companies mentioned by Mr. Coye.

I don't suppose many of you are in the oil business. We have had a review of some of the terms and words we use with which you may not be familiar, and I think it would be well to talk first a little about oil fields and geological structures because there may be a bit of mystery also surrounding these terms. If you are a little more familiar with what an oil field is, what it looks like under the ground, how it got there, and what we mean when we talk about geological structures, or as your statute says: land... "On a known or producing geological structure," we will better understand each other.

You hear people talking about oil pools or oil reservoirs: some people think that an oil pool is like a pool of water on the surface of the earth. However, oil does not exist in the earth as a body of liquid like a lake or river. Oil is stored deep underground in rock, porous rock--that is, in porous sand stone or porous limestone. This is oil productive sand stone (hold up sand stone core). It is a core, taken from an oil field in California. It is made up of millions of tiny sand grains. It looks solid,

ALASKA LEGISLATIVE COUNCIL

MEMORANDUM

on

OIL AND GAS LEGISLATION

Introduction

A considerable amount of interest has developed recently in the possible necessity for additional legislation to either regulate or help stimulate the development of the oil and gas industry in Alaska.

There are those who strongly urge that the State of Alaska enact all measures necessary to fully protect its oil and gas resources; and there are those who believe that the maximum legislative encouragement possible should be given to the oil and gas interests so that they can develop these resources in the shortest feasible time.

With the able assistance of Mr. Phil Holdsworth, Commissioner of Mines, an attempt has been made herein to briefly review (1) the present state of the oil and gas industry, in general, and in Alaska, (2) the pertinent Federal and local laws, and (3) the general conclusions derived from an analysis of both the industry and applicable law.

Information of a General Nature

Crude petroleum, as is generally known in its original state, is a liquid mineral, found near the surface of the earth. It is the end product of a slow distillation of marine, animal and vegetable matter which has taken centuries to transform.

Oil in the United States was discovered when the first white men visited the Titusville, Pennsylvania area and discovered the Indians making different uses of it. Oil was first drilled commercially in the United States in the year 1859 near Titusville, Pennsylvania by Colonel Edwin L. Drake. Just prior to Colonel Drake's drilling, chemists had proved that oil carbon or kerosene could be used for illuminating purposes,<sup>/1</sup> which oil came from the crude petroleum.

Of course the simplest of drilling tools were utilized and Colonel Drake's well did not extend beyond a depth of 70 feet,

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<sup>/1</sup> Prior to Colonel Drake's discovery, illumination fuel was provided primarily from coal oil, manufactured from coal.

# RECEIVED

Thursday, October 16, 1958

FEDERAL REGISTER

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applicant's intention to request the assignment.

22. Section 10.555 is amended by adding new paragraph (h) to read as follows:

(h) Frequencies offset by 7.5 kc or less from those in the 152 to 162 Mc band listed in paragraph (f) of this sec-

tion may be assigned for developmental operation upon an adequate showing of the need for such irregular assignment together with an acceptable engineering report indicating that harmful interference to the operation of existing stations will not be caused.

[F. R. Doc. 58-8474; Filed, Oct. 15, 1958; 8:45 a. m.]

the provisions of § 71.3, the regulations under the Mineral Leasing Act of February 25, 1920 (41 Stat. 437; 30 U. S. C. 181, et seq.), as amended and supplemented, including the Act of February 17, 1927 (44 Stat. 1057; 30 U. S. C. 201, et seq.), contained in Parts 191 and 192 and 194 to 197, inclusive, of this chapter, shall govern the issuance of oil and gas, phosphate and oil shale leases, and potash and sodium permits and leases, in Alaska.

3. Paragraph (d) of § 192.42 is amended to read as follows:

§ 192.42 *Offer to lease, and issuance of lease.* \* \* \*

(d) Each offer must be filled in by typewriter or printed plainly in ink and signed in ink by the offeror or the offeror's duly authorized attorney in fact or agent. An offer may be made by a legal guardian or trustee in his name for the benefit of a non-alien minor or minors but an offer may not be filed by a minor. An offer may not include more than 2,560 acres except where the rule of approximation applies. The lands in the offer must be entirely within an area of six miles square or within an area not exceeding six surveyed sections in length or width.

No offer may be made for less than 640 acres except where the offer is accompanied by a showing that the lands are in an approved unit or cooperative plan of operation or such a plan which has been approved as to form by the Director of the Geological Survey, or where the land is surrounded by lands not available for leasing under the act.

4. A new § 192.42 is added to read as follows:

§ 192.42 *Description of lands in offer.*

(a) If the lands have been surveyed under the public land rectangular system, each offer must describe the lands by legal subdivision, section, township, and range. If the lands have not been so surveyed, each offer must describe the lands by metes and bounds, giving courses and distances between the successive angle points on the boundary of the tract, conforming to true cardinal directions except for water boundaries or boundaries of accepted official surveys in irregular form, and connected by courses and distances to the nearest official corner of the public land survey. In Alaska the description of unsurveyed lands must be connected by courses and distances to either the nearest corner of the public land surveys or to a triangulation station established by the U. S. Geological Survey, the Coast and Geodetic Survey or the International Boundary Commission.

(b) In lease offers embracing unsurveyed lands adjacent to tidal waters in southern Louisiana and in Alaska, if the offeror finds it impracticable to furnish a metes and bounds description as required in paragraph (a) of this section with respect to the water boundary, he may, at his option, describe an over-all area to embrace the public lands desired, agreeing to pay rental on the full acreage included within the description with the understanding that rights under any

## PROPOSED RULE MAKING

### DEPARTMENT OF THE TREASURY

Internal Revenue Service

[ 26 CFR (1954) Part 1 ]

INCOME TAX; TAXABLE YEARS BEGINNING AFTER DEC. 31, 1953

ALLOCATION OR APPORTIONMENT OF INCOME TO SOURCES WITHIN OR WITHOUT THE UNITED STATES

Notice is hereby given, pursuant to the Administrative Procedure Act, approved June 11, 1946, that the regulations set forth in tentative form below are proposed to be prescribed by the Commissioner of Internal Revenue, with the approval of the Secretary of the Treasury or his delegate. Prior to the final adoption of such regulations, consideration will be given to any comments or suggestions pertaining thereto which are submitted in writing, in duplicate, to the Commissioner of Internal Revenue, Attention: T:P, Washington 25, D. C., within the period of 30 days from the date of publication of this notice in the FEDERAL REGISTER. Any person submitting written comments or suggestions who desires an opportunity to comment orally at a public hearing on these proposed regulations should submit his request, in writing, to the Commissioner within the 30-day period. In such a case, a public hearing will be held and notice of the time, place, and date will be published in a subsequent issue of the FEDERAL REGISTER. The proposed regulations are to be issued under the authority contained in section 7805 of the Internal Revenue Code of 1954 (68A Stat. 917; 26 U. S. C. 7805).

[SEAL]

O. GORDON DELK,  
Acting Commissioner,  
of Internal Revenue.

In order to provide that the Commissioner may make such other allocations or apportionments of income under section 863 as will result in a proper allocation or apportionment of such income, in any case in which it is shown to his satisfaction that the application of the allocation or apportionment rules of § 1.863-1 (b) of the Income Tax Regulations (26 CFR Part 1), relating to income from the production and sale of certain natural resources, does not result in a proper allocation or apportionment, such regulations are amended as follows:

PARAGRAPH 1. Paragraph (b) of § 1.863-1 is amended by inserting "(1)" immediately before the expression "The income derived" and by adding the follow-

ing new subparagraph (2) at the end thereof:

(2) If it is shown to the satisfaction of the Commissioner that the application of the provisions of subparagraph (1) of this paragraph does not result in a proper allocation or apportionment of income, the Commissioner may make such other allocation or apportionment as will, in his opinion, more clearly reflect the proper source of the income to which such subparagraph applies.

PAR. 2. The amendments made by this Treasury decision shall apply with respect to taxable years beginning after December 31, 1957.

[F. R. Doc. 58-8627; Filed, Oct. 15, 1958; 10:21 a. m.]

### DEPARTMENT OF THE INTERIOR

Bureau of Land Management

[ 43 CFR Parts 71, 192, 200 ]

MINERAL LANDS; OIL AND GAS, PHOSPHATE AND OIL SHALE LEASES, AND POTASH AND SODIUM PERMITS AND LEASES; OIL AND GAS LEASES; MINERAL DEPOSITS IN ACQUIRED LANDS AND UNDER RIGHT-OF-WAY

NOTICE OF PROPOSED RULE MAKING

Notice is hereby given that, pursuant to the authority vested in the Secretary of the Interior by the act of February 25, 1920 (41 Stat. 437; 30 U. S. C., sec. 181, et seq.), as amended and supplemented and by section 10 of the act of August 7, 1947 (61 Stat. 913; 30 U. S. C., sec. 351 et seq.), it is proposed to revoke § 71.2 and to amend §§ 71.1, 192.42 (d), 200.5 (a) and 200.8 (d), and to add a new § 192.42A as hereinafter set forth.

Interested parties may submit in triplicate written comments and suggestions with respect to the proposed amendments to the Director, Bureau of Land Management, Washington 25, D. C., within 30 days from the date of publication hereof in the FEDERAL REGISTER.

Dated: October 9, 1958.

ROGER ERNST,  
Assistant Secretary of the Interior.

1. Section 71.2 is revoked.
2. Section 71.1 is amended to eliminate from that section the reference to § 71.2 and to read as follows:

§ 71.1 *Mineral leasing laws and regulations applicable in Alaska.* Subject to

THE ALASKA SCOUTING SERVICE  
 Box 2278                      427 G Street  
 Anchorage, Alaska  
 Phone 41645

October 14, 1958

Volume 4, No. 41

<u>COMPANY</u>	<u>WELLS</u>		<u>STATUS</u>
	<u>Last</u> <u>Week</u>	<u>Depth</u> <u>This</u> <u>Week</u>	
<u>Yakataga-Katalla Basin</u> COLORADO-FRANKFORT Yakutat No. 3. Loc: 2640 SL 2310 EL Sec. 3 T 28 S, R 34 E, S. M.	9,455	9,865	Drlg. Spd. 7/21/58. 18"88', 13-5/8 1,212; protective string 9-5/8 8,300. Company owned rig.
<u>Aleutian Basin</u> HUMBLE-SHELL Bear Creek Unit No. 1 Loc: 510 N 1280 W SE/Cor Sec. 36 T 29 S, R 41 W, S. M.	12,271	12,288	Conditioning hole. Set 7-5/8", 10,935' protective string. Spd. 9/23/57. Elev. 929 K. B. 9-5/8" 6515. Contr: Rowan Drlg. Co., Fort Worth, Texas
<u>Cook Inlet Basin</u> STANDARD-RICHFIELD Swanson River Unit No. 1 Loc: Approx. cntr SW/4 SE/4 Sec 10, T 8 N, R 9 W, S. M.		(T. D. 12,384)	15-30 day temporary production test with oil being transported to Seward. Flaring gas.
Swanson River Unit No. 3 Loc: cntr SW/4NW/4 Sec. 23, T 8 N, R 9 W, S. M.	11,208	11,208	Cementing for lost circulation at 1600'. Drilling out. Spd. 8/21/58. Elev. 365 K. B. Contr: Coastal Drlg. Co., Bakers- field, California
Swanson River Unit No. 4 Loc: Official: Approx cntr SW/4SE/4 Sec. 16, T 8 N, R 9 W, S. M.			Building road and grading location.
ANCHORAGE G & O DEV. CO. Rosetta No. 3 Loc: NW/4SW/4 Sec 21, T 18 N, R 3 W, S. M.	6,050	6,050	Suspended. Probably NOT resume drilling this season.

<u>COMPANY</u>	<u>GEOPHYSICAL</u>	<u>AREA</u>
Great Basins and General Petroleum Western Geophysical Co. Petroleum Helicopters, Inc.		Nushagak Basin, Bristol Bay. Base camp at King Salmon. Seismic.
Union-Ohio United Geophysical Co.		Kenai Peninsula, Cook Inlet Basin. Base camp at Kenai. Seismic.
Humble Oil & Refining Co. Geophysical Services, Inc.		Susitna, Cook Inlet Basin. Base camp at Willow. Seismic.

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ALASKA LEGISLATIVE COUNCIL  
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October 28, 1958

<u>COMPANY</u>	<u>WELLS</u> <u>Depth</u>		<u>STATUS</u>
	<u>Last</u> <u>Week</u>	<u>This</u> <u>Week</u>	
<u>Yakataga -Katalla Basin</u> COLORADO -FRANKFORT Yakutat No. 3 Loc: 2640 SL 2310 EL Sec. 3 T 28 S, R 34 E, S. M.	No report	10,507	Drig. Spd. 7/21/58. 18"88', 13-5/8 1,212: protective string 9-5/8 8, 300. Company owned rig.
<u>Aleutian Basin</u> HUMBLE-SHELL Bear Creek Unit No. 1 Loc: 510 N 1280 W SE/Cor Sec 36, T 29 S, R 41 W, S. M.	12,293	12,400	Drig. Set 7-5/8", 10,935' protective string. Spd. 9/23/57. Elev. 929 K. B. 9-5/8" 6515. Contr: Rowan Drig. Co. Ft. Worth, Texas
<u>Cook Inlet Basin</u> STANDARD-RICHFIELD Swanson River Unit No. 1 Loc: Approx. cntr SW/4 SE/4 Sec 10, T 8 N, R 9 W, S. M.		(T. D. 12,384)	15-30 day temporary production test with oil being transported to Seward. by truck. Flaring gas.
Swanson River Unit No. 3 Loc: cntr SW/4 NW/4 Sec 23 T 8 N, R 9 W, S. M.	11,208	11,414	Drig. Cemented for lost circulation at 1600'. Spd. 8/21/58. Elev. 365 K. B. Contr: Coastal Drig. Co., Bakersfield, California.
Swanson River Unit No. 4 Loc: Approx cntr SW/4 SE/4 Sec. 16, T 8 N, R 9 W, S. M.			Building road and grading location.
ANCHORAGE G & O DEV. CO. Rosetta No. 3 Loc: NW/4 S.W/4 Sec 21, T 18 N R 3 W, S. M.		6,109	Suspended. Drilled and cored to new depth before suspending for winter.

GEOPHYSICAL

<u>COMPANY</u>	<u>AREA</u>
Great Basins and General Petroleum Western Geophysical Company Petroleum Helicopters, Inc.	Nushagak Basin, Bristol Bay. Base camp at King Salmon. Seismic.
Union-Ohio United Geophysical Co.	Kenai Peninsula, Cook Inlet Basin. Base camp at Kenai. Seismic.
Humble Oil & Refining Co. Geophysical Services, Inc.	Susitna, Cook Inlet Basin. Base camp at Willow. Seismic.
Standard-Richfield Western Geophysical Co.	Swanson Unit, Kenai Peninsula.

THE ALASKA SCOUTING SERVICE  
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November 4, 1958

Volume 4, No. 44

<u>COMPANY</u>	<u>WELLS</u> <u>Depth</u>		<u>STATUS</u>
	<u>Last</u> <u>Week</u>	<u>This</u> <u>Week</u>	
<u>Yakataga-Katalla Basin</u> COLORADO-FRANKFORT Yakutat No. 3 Loc: 2640 SL 2310 EL Sec. 3 T 28 S, R 34 W, S. M.	10,507	10,848	Stuck drill pipe. Spd. 7/21/58. 18"88', 13-5/8 1,212; protective string 9-5/8 8,300. Company owned rig.
<u>Aleutian Basin</u> HUMBLE-SHELL Bear Creek Unit No. 1 Loc: 510 N 1280 W SE/cor Sec 36, T 29 S, R 41 W, S. M.	12,400	12,473	Preparing to drill ahead. Set 7-5/8", 10,935' protective string. Spd. 9/23/57. Elev. 929K. B. 9-5/8" 6515. Contr: Rowan Drlg. Co., Ft. Worth, Texas
<u>Cook Inlet Basin</u> STANDARD-RICHFIELD Swanson River Unit No. 1 Loc: Approx. cntr SW/4 SE/4 Sec. 10, T 8 N, R 9 W, S. M.		(T. D. 12,384)	15-30 day temporary production test with oil being transported to Seward by truck. Flaring gas.
Swanson River Unit No. 3 Loc: cntr SW/4 NW/4 Sec. 23 T 8 N, R 9 W, S. M.	11,414	11,618	Drig. Cemented for lost circulation at 1600'. Spd. 8/21/58. Elev. 365 K. B. Contr: Coastal Drlg. Co., Bakersfield, Cal. Reported the equivalent formation encountered in 1 & 2. Penetrated and found non-productive.
Swanson River Unit No. 4 Loc: Approx cntr SW/4 SE/4 Sec 16, T 8 N, R 9 W, S. M.			Road completed. Water well drilled.
HALASKO, INC. Halasko-King Oil No. 1 Loc: Tentative: SE 1/4 Sec. 6, T 7 N, R 9 W, S. M.			Building road and grading location.
ALASKA CONSOLIDATED OIL Iniskin Well No. 1 Loc: NW/4 Sec 16, T 5 S, R 23 W, S. M.	9,747(Suspended)		Spd. 8/4/54. Elev. 350'. Readyng Rig. Contr: Coastal Drilling Co.

COMPANY

Great Basins and General Petroleum  
 Western Geophysical Company  
 Petroleum Helicopters, Inc.

GEOPHYSICAL

AREA

Nushagak Basin, Pristol Bay. Base  
 camp at King Salmen. Seismic.

Mr. Chairman, Members of the Legislative Committee, Officers of the State of Alaska, and others:

My name is George Sowards. I am with The Ohio Oil Co. in the capacity of Division Manager of the Los Angeles Division. I am in charge of our company's operations in Alaska, the three Pacific states and part of Arizona. We appreciate very much the opportunity of presenting our views to you here today.

Our company has been engaged in geological work and geological and geophysical studies since 1948 - covering the new State of Alaska. Our company owns a 5 1/4% interest in the Swanson River unit where Richfield drilled the discovery well. We shared in the cost of that well and all following wells in that same percentage. I mention these things <sup>only</sup> ~~just~~ to indicate that we are not altogether new in Alaska. <sup>but</sup> This is not intended to imply that we know all or even most of the answers. We believe that almost all of the history of oil in Alaska is yet to be written. We have been engaged in developing and producing oil from the western public <sup>land</sup> ~~domain~~ states for over forty years. Even before the Federal Leasing Act, when operations were conducted under the old placer claims.

We have operated continuously under the laws, rules and regulations provided by the Federal Leasing Act of 1920. We have