

# DETAILS OF TEAPOT DOME LEASE ANALYZED BY NOTED OIL EXPERT

## Standard Oil Given Big Advantage; Pays Low Royalty and Gets Big Take-off in Exchanging Fuel Oil For Crude Oil.

By ROBERT C. BELL  
Some of the provisions of the Teapot Dome-Sinclair lease, according to the press reports, are worthy of special comment.

It should be noted that the secretary of the interior announces that the "policy of storing oil originated with the navy," but that the "terms of the leases originated in the department of the interior;" furthermore, that "the government oil experts consider the contract one of responsibility at least for the "terms" of government point of view."

It is gratifying to know that the secretary is willing to assume responsibility at least for the "terms" of the contract.

The provisions that made this contract so good undoubtedly relate to: (1) The amount of the royalties; (2) The price of the oil; and (3) The pipe line.

The schedule of royalties is as follows:

Per Well Production	Advances	Below 34 Degrees	34 to 40 Degrees	40 to 46 Degrees	46 to 50 Degrees	50 to 55 Degrees	55 to 60 Degrees
The first . . . 50	12 1/2%	12 1/2%	14%	16%	18%	20%	22%
The next . . . 50	16 2/3%	16 2/3%	18 1/2%	20 1/2%	22 1/2%	24 1/2%	26 1/2%
The next . . . 100	20%	20%	22%	24%	26%	28%	30%
The next . . . 100	25%	25%	27%	29%	31%	33%	35%
The next . . . 200	42 1/2%	42 1/2%	44 1/2%	46 1/2%	48 1/2%	50 1/2%	52 1/2%
The next . . . 200	45%	45%	47%	49%	51%	53%	55%
Additional . . .	50%	50%	52%	54%	56%	58%	60%

Note that 24 degrees Baume is the dividing line between the higher and lower royalties. This is the foundation for a fraud.

There are three known productive oil sands or strata in the field: the Shannon, the First Wall Creek and the Second Wall Creek. Wells in the Shannon, which is reached at the shallow depth of 600 to 900 feet, produce 10 to 25 barrels of lubricating oil, which will test about 20 degrees Baume, while the Wall Creek sands produce a very high grade, light oil, with a large gasoline content, which will test slightly above 34 degrees Baume.

The lessee, by mixing three oils can bring the total product below the 34 degrees Baume, and thereby limit his royalty to a maximum of 25 per cent, regardless of the size of the wells. Note that the royalties on oil testing below 34 degrees Baume are very much less than those of the higher test. The dividing point in all other leases on the public domain in Wyoming is at 30 degrees Baume.

Let us examine another feature of the royalty provisions. The royalties are not based on the production of each well, separate from all others; instead, they are determined by the average daily production of all wells on the lease, which covers the whole reserve of more than 9,000 acres.

Each month the total production is divided by the number of wells operated fifteen or more days during the month, to ascertain the average production for each well for the month; the production per month is divided by the number of days in the month to obtain the average daily production for each well, and it is on this that the royalty for each well is based.

The scheme permits using small wells to cut down the average production and consequently the royalty on the large wells. If big wells are obtained in the Wall Creek sands on which high royalties would have to be paid, the lessee can drill numerous small wells in the Shannon sand to cut down the average production, and thus reduce the roy-

alties. Let it be remembered that there is no limitation on the number of wells the lessee may drill, and these shallow wells though small producers, are profitable.

Mr. Fitzgerald bases the claim for increases principally upon the fact that there has been a material reduction in the purchasing power of railway wages during the past four years, and that a considerable increase must be made to restore the former living standards of the employees concerned. It is becoming continually more difficult for the railway employees to maintain what has been recognized as a comfortable standard of living.

The Labor Board, by the terms of its decision of 1920, granted a wage increase of substantially 20 per cent. This was during President Wilson's last year in office, at a time when wage increases were more or less general, and when living costs had come to the peak.

### MORE TRUTH

International Labor News Service is presenting from week to week portions of the findings and conclusions in relation to the Teapot Dome Oil scandal arrived at by Robert C. Bell, formerly special assistant to the United States attorney general in charge of Wyoming withdrawn oil land cases.

This week Mr. Bell lays bare the provisions of the lease of the Teapot Dome Naval Reserve to the Sinclair organization which is in reality a Standard Oil subsidiary.

Let it be remembered that there is no limitation on the number of wells the lessee may drill, and these shallow wells though small producers, are profitable.

The secretary advises the senate, and Sinclair pretends, that the royalties range from 12 1/2 per cent to 50 per cent, and that the wells producing over 1,000 barrels of oil daily pay 50 per cent on the excess. This is not true. The provisions of the lease, together with the natural conditions of the reserve, enable the lessee to control the amount of the royalties he is to pay. Some of the lessees in the Salt Creek field pay royalties of 33 1/3 per cent, but Sinclair need never pay more than 12 1/2 per cent.

It is interesting to note how these royalties are to be paid. The government is to trade its royalty oil to Sinclair for storage, and for oil to fill it; and in this provision the contract is not as "good" as the secretary pretends to believe. Sinclair may be a perfectly honest, efficient, storage building contractor and give the government value received on the storage building end of the deal; but it is the even exchange of high priced oil for cheap oil to which we refer. Fuel oil can be purchased now at Atlantic or Gulf coast points at from \$1 to \$1.25 per barrel, which the open posted field price of oil in the Mid-continent fields, similar in quality to that of Teapot, is \$2 per barrel, plus a premium of from 25c to 50c per barrel, so that it is actually selling at from \$2.25 to \$2.50 per barrel. And the secretary contends that this lease will bring prices in Wyoming to a level with those of the Mid-continent fields. Sinclair is to deliver a barrel of fuel oil for a barrel of Teapot crude, provided it tests above 34 degrees Baume, but if it falls below that test he is to deliver only 65-70% of a barrel of fuel oil for a barrel of crude; in other words, he takes a barrel of Teapot crude, testing above 34 degrees Baume, worth from \$2.25 to \$2.50, and delivers to the government, at New Orleans (for illustration), a barrel of fuel which costs him \$1; or if the Teapot crude falls below 34 degrees Baume, he delivers at that point 63-100 of a barrel of fuel, which cost him just 63c.

Or, this splendid arrangement will enable Standard Oil to refine Salt Creek and Teapot royalties, take out the gasoline and valuable lubricants, and pay for the royalty at the rate of 63 barrels of the residuum for 100 barrels of the original high grade crude.

What do you think of this as a contract favorable to the government? Why do not government officials use just a little common, business sense, sell its high grade royalty oil, buy its fuel oil when and where needed and get two barrels of fuel oil for one of crude?

The making of goods and the mining of coal are not interstate commerce, nor does the fact that these things are to be afterwards shipped or used in interstate commerce make their production a part thereof.

In the case of Coe versus Errol (116 U. S., 517) the supreme court also drew a sharp line between production and transportation. This case involved a right of a state to tax logs intended for export. The court said that while the logs were intended for export the owner has a perfect right to change his mind, and until actually put in motion, for some place out of the state, or committed to the carrier for transportation to such place, they are not to be regarded as still remaining a part of the general mass of property in the state?

The court further stated that "until actually launched on its way to another state, or committed to a common carrier for transportation to such state, its destination is not fixed and certain."

In these cases the supreme court takes a position in sharp contrast to the court of appeals, which rules that because a strike makes it impossible for an employer to manufacture articles intended for interstate commerce, that this strike is a violation of law.

# RAILWAY CLERKS REQUEST HIGHER PAY FROM ROADS

## File Application With Labor at Chicago Thursday.

E. H. Fitzgerald, grand president of the Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees appeared before the United States Railroad Labor Board in Chicago, Illinois, Thursday, making an application for increase in rates of pay of the railway employees represented by the Brotherhood. He is assisted by Mr. E. L. Oliver of the Labor Bureau, Incorporated, and by the various general chairmen of the various railroads throughout the United States representing the employees thereon. The application calls for a restoration of the wage rates granted by the Labor Board July 1, 1920, under Decision No. 2. An extensive brief has been prepared, going into the whole question of railway wages. It is expected that the hearing will occupy several days.

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Instead of protecting the wage increase of 1920, the Brotherhood officials point out the Labor Board has rendered two decisions since then in which reductions were made that take away practically the entire increase. In the Board's decision of July 1, 1921, known as Decision No. 147, the wages of the employees were cut approximately 12 1/2 per cent. In another decision, known as No. 1074, and handed down July 1, of this year, 6 per cent more was lopped off wage rates.

The classes particularly affected by these decisions, and for which special claim is to be made at the forthcoming hearing, are the railway clerks, freight handlers, and other station employees. A total of 271,000 employees represented by the Brotherhood are involved in the hearing. A comparison of the wages at present received by the men with those which the Board granted two years ago, will be presented to the Board in support of the argument for the increase. This table shows that the present average monthly wages of clerical and station forces are \$85.80 as against \$109.02, under the decision of 1920.

The present application was filed with the Board on Nov. 3. It is the third application to be made since the end of the Shopmen's strike. The Maintenance of Way employees were the first to petition for an increase, and they were awarded two cents per hour above their old rate. The application of the Railway Signalmen is still pending.

Efficiency in shipping is better than subsidy. If American ship owners were efficient they could compete with foreign rivals, according to Capt. Daniel A. J. Sullivan of New York.

While the national administration and ship owners are demanding a subsidy to aid American vessels, Capt. Sullivan declared at a meeting of naval architects and marine engineers, that more efficiency by the ship owners would place them on a par with foreign vessels in operating costs. He said the principal items—fuel, cargo handling and insurance—could be reduced greatly.

The best way to get a talkative man in bad is to let him talk all he wants.

The young lady across the way

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# SHOPMEN SPURN RAILROAD OFFER

## Minneapolis Union Turns Down M. & St. L. Offer.

Minneapolis, Nov. 23.—By a vote of 532 to 165 the striking shopmen and the members of the Stationary Firemen and Oilers of the Minneapolis & St. Louis railroad system have rejected a proposition submitted by the road management to end the shopmen's strike. It was announced today by J. F. Johnston, secretary of the local strike committee.

Striking employees of the Cedar Lake shops by a vote of 102 to 6, at a meeting held Sunday morning at Richmond halls, agreed to abide by the decision of the majority and remain on strike.

Negotiations between the strikers and the management were brought about through the efforts of the general chairman of the transportation brotherhoods of the northwest, and provided that the men return to work without a written agreement at wages established by the railway labor board. The proposition was submitted to the membership about 10 days ago and the result of the referendum vote was completed Friday and made public today.

Settlement Conditions. Other conditions of the proposed settlement provided that rules in effect prior to June 30 become effective and that the old employees be restored to the service to fill vacancies that now exist or any other vacancies that may occur. It was also proposed to take back all old men before any new men are employed in the event that an increase in the shop force is made. The men were to be called back to work in accordance with the seniority rights prevailing July 1. The railroad management was to designate the number of men to return to work in each craft but there was no definite understanding as to the number of men that were to be restored to work on a given day.

# HAVE NO RIGHTS OF CITIZENSHIP

## Supreme Court Decision Is Bar to Japanese.

The United States supreme court has ruled that Japanese are ineligible to citizenship.

The court stated that "in all of the naturalization acts from 1790 to 1906 the privilege of naturalization was confined to white persons (with the addition in 1870 of those of African nativity and descent), although the exact wording of the various statutes was not always the same."

Declaring that it is the duty of the court "to give effect to the intent of congress," the opinion proceeded to determine the intent "by giving the words their natural significance."

The court intimated that it agreed with counsel for the Japanese when reference was made to "the culture and enlightenment of the Japanese people."

The court said there was no suggestion of individual unworthiness or racial inferiority in the decision. "We have no function in the matter other than to ascertain the will of congress and declare it," said the court.

# FEUDAL LUMBER BARONS EXPOSED BY ORGANIZED TIMBER WORKERS

Strenuous publicity efforts are being made by R. A. Long, Pacific coast lumber king and head of the Long-Bell lumber company, to counteract the propaganda of the Timber Workers' union, which is exposing his anti-union tactics, his paternalism and his company "union."

The timber workers point to Weed, Cal., as a sample of Mr. Long's interest in the workers. To get rid of the union the manager of the Weed mills organized a "plant council," which, he explained, was done "to extend the hand of fellowship."

That was in March, last year. A lake shops by a vote of 102 to 6, at a meeting held Sunday morning at Richmond halls, agreed to abide by the decision of the majority and remain on strike.

"The plant council," said Harry W. Call, secretary-treasurer of the International Union of Timber Workers, "was composed of the department superintendents and one employee from each department, appointed by his superintendent, to serve for a period of not less than 90 days. All employees must submit their grievances in writing to this delegate, who in turn presents them to the monthly meeting of the council, the meeting being composed of the superintendents of the various departments."

"To the company was reserved the last word. If the company was not in the mood to concede changes, it would veto the proceedings, and there was no court of appeal."

"For the company the 'plant council' worked. For the workers it has meant a succession of raids on their pay checks and working conditions which were already too bad for human endurance. The trouble at Weed has never been righted. Long hours of labor prevail. Wages are low. There is no liberty."

"When a worker accepts employment at Weed he is given a 'number' or brass check and is charged \$1. If he loses the check the company appropriates the dollar. Since the 'plant council' was formed the state has been compelled to enforce the minimum wage law for women, who were paid 67 cents a day less than the law provides."

"Weed is a typical Long-Bell company town. The company owns the mills, logging camps, stores, bank, hotels, restaurants and hospital. The United States post office and recreation hall are on company land."

"In a company town the company's domination does not stop on the job. In most cases the mayor is a stockholder and high official of the company. He appoints the chief of police who is invariably a company henchman, who in turn selects the deputies, or thugs, as they are most always found to be, and who enforce 'law and order.' Then comes

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# CRIMINAL JURISDICTION EXTENDS TO HIGH SEAS

The criminal jurisdiction of the United States extends to offenses against its laws committed by American citizens upon the high seas, the United States supreme court held in a case brought by the government against Raymond H. Bowman. The case is regarded by counsel of importance as a landmark in the history of the criminal law. This industrial and political combination is guaranteed by arrest normal activities of luckless inhabitants of the company town.

"The coin of the realm in a company town is the coupon book, or 'tin money,' bearing the name of the company. It is not negotiable outside of the 'Kingdom.' Us of 'tin money' is so widespread in some of the southern lumber sections that United States money is not recognized."

"Real labor organizations are out of style in a company town. The only organization assured a welcome is the brand that is hopeless, useless, spineless and reactionary. It must be ready made, hand-picked and bear the company's trade mark."

STRIKE GUARD ABSCONDS. A strike guard employed by the Santa Fe railroad at Riverbank, Cal., has departed with \$2,000. Strikebreakers are housed in a stockade, and the guard took the strikebreakers' checks to local banks. If the company makes good the loss will be charged to maintenance costs, which means that the public will pay.

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# GOVERNMENT EMPLOYEES WORK TWELVE-HOUR DAY

Many government employees work a 12-hour day and a seven-day week, and are not even paid overtime was charged at the meeting of the executive council of the National Federation of Federal Employees, in session in Washington.

It was stated that engineers in most federal buildings in this city work seven days a week. Lockmasters on the Fox river in Wisconsin labor 16 hours a day.

These abuses, it was stated, prevail "in countless instances in the government service throughout the country." The long work day is especially prevalent in the customs service. Immigration and customs officials on the Canadian border are working the 12-hour day and seven-day week.

The executive council has arranged to take this matter up with the various departmental heads.

TAX DODGERS FLEECE U. S. A treasury announcement states that the government has been defrauded of \$100,000,000 in taxes. The principal offenders are munitions manufacturers and makers of other necessary war supplies. A rigid prosecution will be started, says the statement.

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# STRIKES WOULD BE OUTLAWED BY FEDERAL COURT'S DECISION

In a divided opinion the federal court of appeals at Kansas City has ruled that when a strike interferes with the manufacture of articles intended for interstate commerce, such strike is illegal. In a minority opinion Judge Stone declared, in effect, that the decision is upheld if it will outlaw every strike.

The decision is made in the case of several St. Louis leather manufacturers and their organized leather workers, who suspended work when they were refused a wage scale and improved working conditions. The strike was so effective that the employers asked Federal District Judge Wade to issue an injunction against picketing on the ground that the strikers were interfering with interstate commerce. The court refused but later issued the injunction.

The United Leather Workers' International union aided their St. Louis members in appealing the decision to the federal court of appeals, which now sustains Judge Wade. In upholding the lower court, Judge Sanborn said:

"Manufacture of articles contracted or intended to go into interstate commerce constitutes part of same. That where the purpose of the conspiracy is to prevent the manufacture of such articles, the inevitable effect is to interfere with interstate commerce."

The leather workers announce they will appeal this decision to the United States supreme court, which has repeatedly made a clear distinction between production and transportation.