How Are the Requirements of 1922 to Be Taken Care of?

From a Texas Refiner's Viewpoint.

By OWEN A. WOOD

With oil up an average of 75 per cent over its price on September 25, with further advances expected, with surplus stocks in storage being refined and production steadily dropping, what will become of the independent refiner who has struggled to build up his good will and who must retain that good will and expand his market if he is to survive?

If that refiner waits until 1922 to decide, he will be out of it. If he decides wrong now, he may be out of it before 1922. On the one hand is the deep blue sea and on the other the devil of doubt.

A predicament of that nature should spur the independent refiners on to analysis, decision and action.

A suggestion is found in the new Mexia field, with its exceptionally high grade oil, its large area and its sensational gushers. Everybody is anxious to acquire leases and drill, but few seem to be inclined to construct tank farms and build pipe lines. Why? Somebody might make more progress in drilling if any company diverts part of its capital and energies to storage and transportation. It is a great deal like packing one's trunks without providing for an expressman to haul them to the railway station. The excitement of trying to remember every necessary article seems to demand all of the thought.

And what will the result be? The independent producer will find one market, the larger corporation that has had the foresight to care for the tank farms and the pipe lines.

Independent capital is capable of providing storage and transportation will be obliged to develop that part of the business before it escapes the uncomfortable position between the upper millstone of increasing demand and the nether millstone of decreasing supply. The oil market—more, perhaps, than any other market, because of the nature of its product—moves between two extremes: Excessive surplus and excessive demand.

If a man needs a wrench, a hammer won't do, but the independent refiners continue to try to get along with the wrong tools. The same investors who gave them corporate life, can provide the missing link in the chain of success, and would better be about supplying it.

Big profit in oil is made by buying when the market is down, and selling when the market is up. This applies to crude the same as to by-products, and the future of the independents, both as producers and refiners, is to unite in providing facilities to make the position of the independents secure. Nobody can start yesterday—and tomorrow lies immediately ahead.

Several small refiners can support one sizeable pipe line company, and the individual who will paint this picture to those persons who have invested in the refineries concerned, will render a distinct and lasting service to the independent refiners and to the independent producers. Simply because the law assures us that there must be competition, does not insure that competition.

"This little pig went to market, and this little pig stayed at home," is the sum-total of the oil situation as it is today and as it will be until the other little pig ventures from its own fireside and fares forth to do his share of the marketing.

Will Contribute Its Share Towards Taking Care of Requirements of 1922

The new Mexia field in Texas, which is breaking all records for excitement and activity, can be depended upon as all other new fields have done, to help the independent refiner to get a supply of oil, for the requirements of 1922. The Humphreys Petroleum company is right now building two loading racks, one being a 40-car rack at Mexia, and another a 20-car rack at Curry, near the Curry well, which is sometimes referred to as the new Wortham well, and located north of the Mexia field, and will sell oil to as many refiners as may need it.

The Curry well is 15 miles north of the original field at Mexia, and is estimated as being good for 5,000 barrels of 42.8 gravity oil. This well is said to be high in gasoline content, and is the forerunner of much production that will be of the greatest value to the independent refiners in Texas. The Humphreys people have made five new locations around this well, and will drill them in as the market demands the oil.

The Mexia pool proper has about 30 wells completed to the top of the sand, and about 50 wells drilling, with perhaps 200 rigs up, most of which are on the west side of the pool, and scattered in all directions from the known production. This new pool comes at a time when big concerns like the Texas company, that has been supplying refiners with oil, have served notice that with the expiration of their present contracts, there will be no more oil delivered. It would look as though it was a special dispensation of a kind Providence that protects the refiner who is making his way against the greatest odds.

It is reported that at least 20 refiners have sent oil buyers to interview Colonel Humphreys, who is on the job, and a great majority of these will soon be getting oil from this new source. The railroad facilities are the best that oil men have ever been blessed with in Texas, because usually the new pools have been served by roads that are in the worst of condition, whereas, now the H. & T. C., which is the Houston & Texas Central, runs 50 miles parallel with the new development. The other road, Trinity & Brazos Valley railroad, connecting Mexia with Fort Worth, is already handling tank cars, because the Texas company, which was the first purchasing company to enter the field, built their loading racks on that railroad. It, too, is a good road but is already reaching the limit of its capacity, being not so well equipped as the big road that runs from Dallas to Houston. This road knows the profit in the oil business, however, and is making a strong fight for every bit of business it can handle.

Colonel Humphreys, who will go down in history as one of the greatest oil producers the oil country ever saw, is on the job day and night, and is giving the great work of drilling and equipping the leases his personal attention, and in addition to this, has at his command a corps of four of the best oil producers that money can hire. He is also looking after the details of building loading racks, pipelines and tank farms, which in itself is a tremendous task, as there are two 55,000-barrel tanks already built and seven on the ground ready to erect. There is one tank farm located at Mexia of 370 acres, and another near the new well at Curry, of 320 acres, which is room enough for 30 or 40 tanks or more. Each of these farms has a mile frontage on the railroad, and of course part of the farms were purchased with a view of locating a refinery.

With all this activity, the main fact most in evidence, is that the new field will not be developed only in a conservative manner. There is a conservation officer on the ground at all times, who requires that any well opened up must have his personal supervision, and that all wells are of necessity shut in on top of the sand until the requirements of the oil business demand they be drilled in. Shutting in these wells has not hurt them so far, as has amply been proved whenever a well that is shut in, is re-opened.

That Tulsa is the center of the oil industry is demonstrated by the fact that the Humphreys Petroleum company has made this city the center of its activities, and among those who are interested with the Colonel, are such well known oil men as John R. Means, E. L. Newblock, N. J. Gulner, and last but not least, F. Julius Fohs. All of whom will profit to the extent of many millions, unless all signs fail, and there is about as much danger of a failure now as there would be of a farmer's potato crop being struck by lightning.

As the finale to this story, it should be stated most emphatically that the property is not for sale. This to put an end to all rumors as to the danger of its falling into the hands of some big pipeline interests. The big officials of all leading oil concerns have been there on the ground within the last two weeks—hence these rumors.

Walsh 'Gas' Tax Proposal Unpopular

The Washington proposal of Senator Walsh of Massachusetts to incorporate in the tax bill tax of 1 cent per gallon on gasoline will probably fail to receive serious consideration from the senate. The author is a minority member of the senate finance committee, and his substitute will not receive approval of the republican majority at this time because they are determined to push the plan of tax revision as adopted by the finance committee. Based on the estimates of gasoline consumption for the calendar year of 1920, 1 cent per gallon would yield approximately $59,000,000 annually. This tax was originally suggested by Secretary of the Treasury Mellon in his recommendation for tax revision. Nation-wide protest from automobile owners, as well as manufacturers, had its effect, and the proposal was subsequently withdrawn by the treasury in its revision on proposed tax assessments.—Automotive Industries.

Oil Works at Riga to Resume

The Oelrich Oil Works at Riga are to resume activity during the coming fall, 23 trucks loaded with property belonging to the works, having lately been re-evacuated from Moscow to Riga, while it is also reported that approximately 1,700 tons of naptha is on the way from America to the Riga works for use in the production of kerosene, petrol and lubricating oils.

New Oil and Gas, Shipping and Chemical Companies in September

From returns specially compiled by the New York Journal of Commerce (see October 5 issue) it appears that 693 companies with authorized capital of $100,000 or greater, were organized under laws of principal states during September, representing a grand total of $189,846,100. With exception of July, this is the smallest monthly aggregate since 1919, when returns indicated a total of $370,871,000. In September, 1920, there were 816 new companies formed, with a combined authorized capital of $950,953,200. Following table shows capital authorized in three industries in September:

	Sept. 1921.	Sept. 1920.
Oil and gas company's	$53,862,000	$136,100,000
Shipping	2,150,000	8,720,000
Chemicals	7,450,000	7,720,000

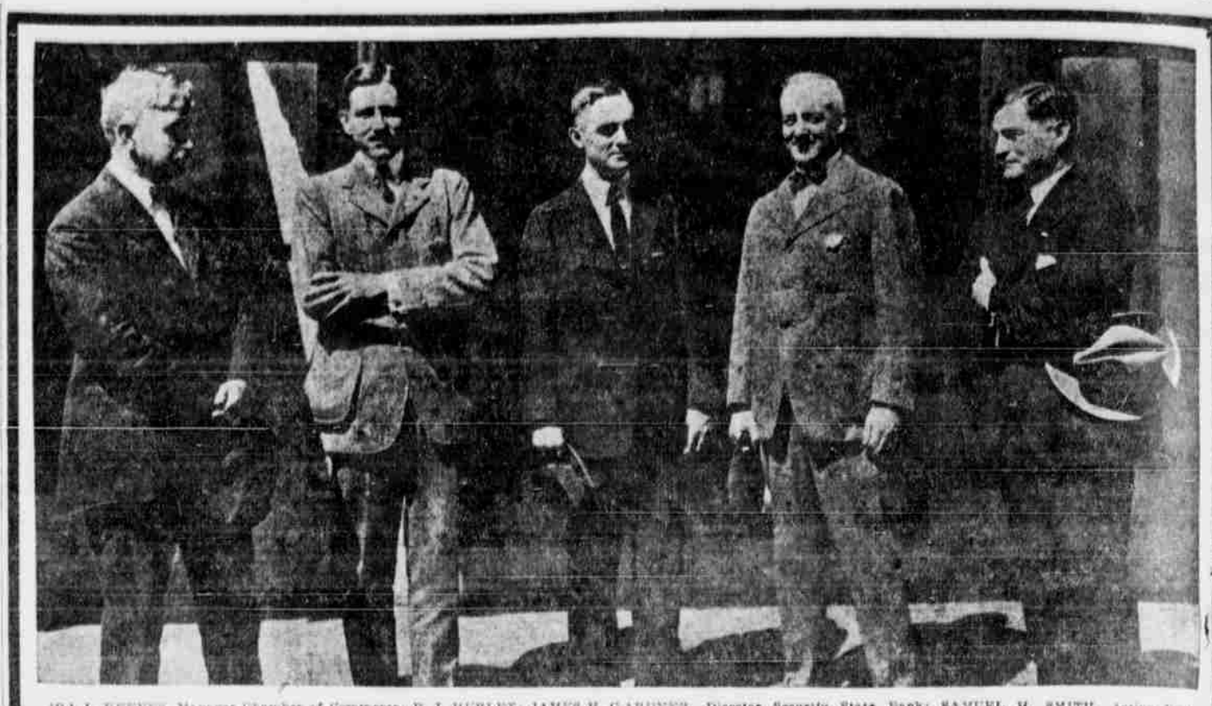
New enterprises in oil industry last month involved formation of 66 companies with an authorized capital of $100,000 or greater; aggregate indicated investment represented by these concerns was $53,862,000, this figure showing sharp decline as compared with $141,544,000 in August, September, 1920, $136,100,000. It is third smallest for any month to date this year and contrasts with peak of $227,470,000 recorded in April. Number of companies launched was only six less than in August. Indicated investment during first nine months of year appears as $1,046,463,000, distributed among 752 companies. During January-September, 1920, 2,312 companies were chartered involving combined authorized capital of $1,913,916,700. An increase in new enterprises in this field, it is believed, from prevalence of easier money conditions and recent upturn in prices in oil industry, which is regarded as marking start of recovery from conditions of depression. (In view of small total reported as authorized capital of new enterprises in oil industry for September, it is especially to be noted that story quoted carries this remark: "As in August only one company was launched with an authorized capital of $10,000,000 or greater. This was American Sulphur Refining corporation, capitalized at $10,000,000." This $10,000,000 is included in total of $53,862,000.—New York Journal of Commerce, October 6.

Imperial Oil

Report that the Imperial Oil had bought out the British-American Oil company recurred again in Montreal and was met with unqualified denial by heads of both companies concerned. Vice President A. L. Ellsworth of the British-American Oil in denying it said: "Imperial Oil has not got one dollar's worth of our stock." An official of the Imperial said the same thing, emphasizing that there had not been and was not likely to be any connection between the two.—New York Journal of Commerce, October 5.

Oil Strike Settlement

Department of labor officials were optimistic yesterday over the prospect for speedy settlement of the California oil field strike. Later reports received by the department, it was said, show disturbance is considerably less serious than at first supposed, with not more than 6,000 men actually striking.—New York Journal of Commerce, October 5.



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