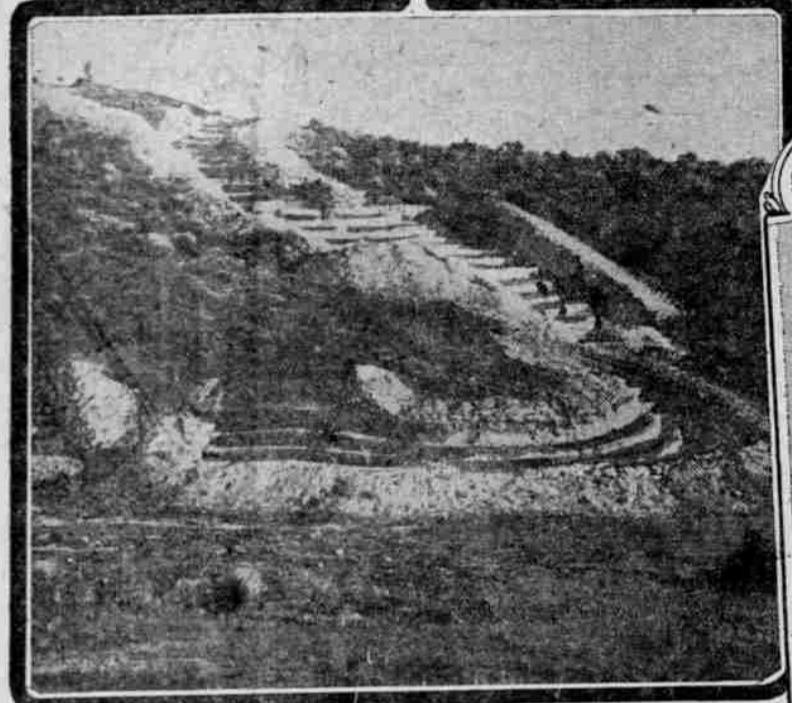
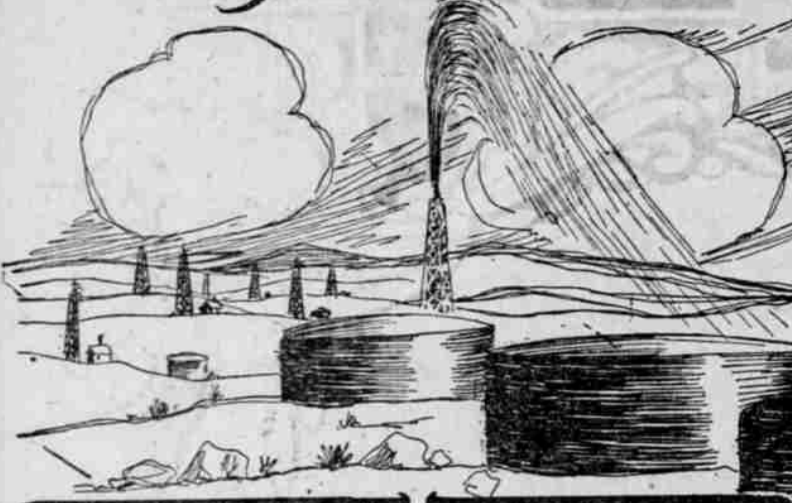


# DID UNCLE SAM GIVE AWAY THIS BILLION DOLLARS?

## He Contends Now that He Didn't and Is Pressing a Prodigious Suit Against Holders of California Oil Lands.



Fantastic Assessment Work Done to Hold Oil Lands as Placer Claims.

BY WILLIAM ATHERTON DU PUY.  
OUT in the heart of California there are certain oil lands that have been yielding \$10,000,000 a year and which are worth a cold billion dollars of anybody's money. All the world has been believing for a decade that those lands belonged to the Southern Pacific Company and to individuals to whom that railroad had sold them. That company and those individuals have been taking unto themselves the huge profits that have come from those reservoirs of liquid fuel that Nature has stored beneath the desert in the ages past.

It now appears that all the world was wrong and that this treasure still belongs to the ninety million. The final test of ownership is to be settled in a suit for recovery of these lands which the Government is just now bringing. Incidentally, here is the most valuable contention that has ever been brought into an American court.

That the United States still holds a strong claim to the ownership of these lands was developed in an almost accidental way. The man who made the discovery was not a lawyer at all, but a young geologist in the employ of the Government. This man was A. C. Veatch, a scientist of the Geological Survey and head of the Government's work of land classification. Veatch was still in his 20s, but had already made himself a reputation as a whirlwind for accomplishing results in the field.

When he went to California to classify oil lands in a purely scientific study of all resources, the magnitude of the value of lands which had passed into the possession of the Southern Pacific in connection with the land grants extended by the Government at the time of its building appalled him. He read the grants out of curiosity and found, to his surprise, that mineral lands were excepted from their provisions. The only mineral lands that might be patented to the railroad were those containing coal and lignite. Aside from this, only agricultural lands might be claimed by the company.

A Scientist Discovers Law.  
Now oil is scientifically and legally a mineral. Oil lands were, therefore, clearly excepted. It was found, however, that title to these lands had been issued by the Government. These titles, however, noted the exception of mineral lands. They were therefore not titles if the lands in question were mineral. When the Southern Pacific transferred these lands it likewise noted the exceptions. Whoever received its deeds did so with knowledge of the fact in the title. So these titles were not titles at all and the land still belongs to the Government. Such was the discovery of the scientist, Veatch, in the field of law.

special assistant to the Attorney-General who also believes in acting quickly and deliberating afterward. His name is Willie N. Mills. He studied the case and in 1909 found that the statute of limitation would have run against these charges of fraud if the suits were not brought immediately. Young Mills assumed the responsibility of filing suits against the Southern Pacific for these lands and did so three days before the expiration of the six years' limit.

Alleged Fraud Lands.  
Bakersfield is the Pittsburg of California. It is in the center of the Southern half of that state and in the lower end of the San Joaquin Valley. This great valley is back of the Coast Range and the winds from the Pacific have the water largely squeezed out of them in making the ascent of the Pacific side of that range. The Western side of the San Joaquin Valley is arid. Bakersfield itself comes in for its share of heat and dust, but it is better situated than are the lands further west.

Is these lands that lie along the eastern foothills of the Coast Range that have been found so prodigious in their oil yields. In the strip that runs along these foothills have been developed three great oil fields. These are, beginning at the north, the McKittrick, the Midway, and the Sunset. Across the valley lies the Kern River district, an older field. These areas are the heart of the oil producing sections of California.

When a company is paying royalties to the Southern Pacific on a partially developed quarter section of land, its returns are, nevertheless, such that it pays dividends on a capitalization of \$100,000. Here a section of land, 640 acres, was sold to a British syndicate for \$1,500,000, and proved a good investment. J. J. Mack and J. M. Meigs bought 800 acres in the Kern River district from the Southern Pacific at \$2.50 an acre. Already they have profited to the extent of \$2,000,000 and their wells are still producing 2,000,000 barrels of oil a year.

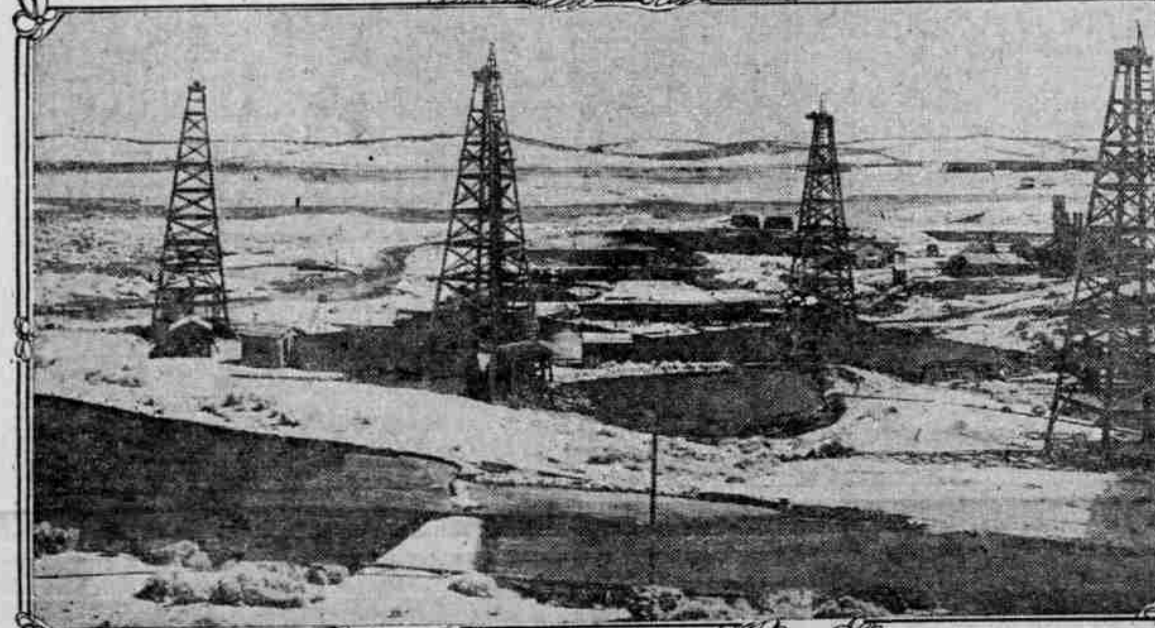
It is in the McKittrick district that the Government's primary cases for recovery of land for alleged fraud are located. There is but 6000 acres of this land. It is worth \$2000 an acre, making an aggregate of \$12,000,000. These lands were patented to the railroad in 1864. The Government, in its suit, has shown that the geologist of the railroad company investigated these lands and reported them as oil lands before it asked for patents. Attorney Mills got possession of a large amount of Southern Pacific correspondence that had passed through the San Francisco office and which the company believed had been destroyed and which proves conclusively that the company knew that these were oil lands and located them on that account. There could have been no other reason for locating alleged agricultural lands in these dry and broken foothills.

Pyramiding Vast Millions.  
The Southern Pacific grant gives that company every alternate section for 20 miles on either side of the railroad. When there are lands already appropriated in that strip or which are reserved as National Forests or for some other public purpose the 20-mile limit, but within the 30-mile limit, this means that the company has the pick of lands in a belt 20 miles wide. This belt includes oil lands in one-half the McKittrick, the Midway and the Sunset fields, the 30-mile limit bisecting them. It gave the railroad every alternate section in the Kern River district.

A. C. Veatch Government Geologist Who Introduced Government to Recover \$100,000,000 Worth of Oil Lands from the Southern Pacific.



Oil Reservoir in the Midway Field.

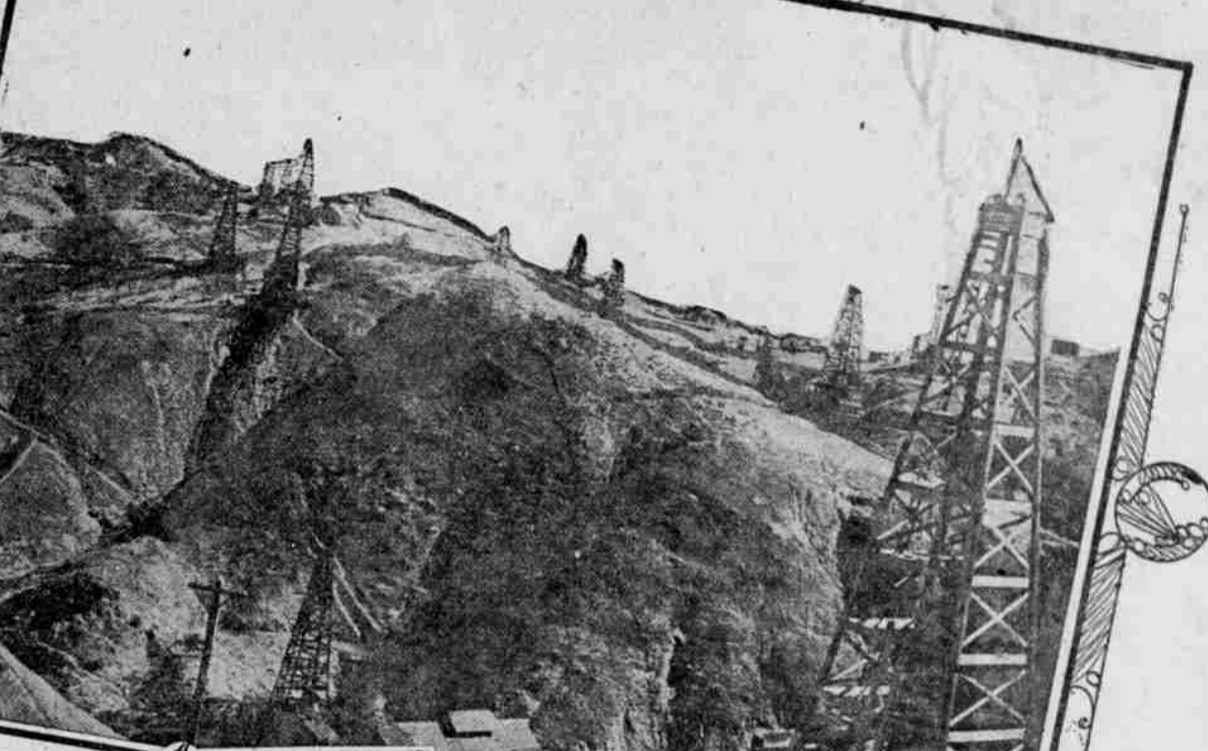


A Typical Oil Field in San Joaquin Valley.

According to the present contention, these fields studded with innumerable producing wells, are still the property of the United States.



The Government May Recover Such Oil Lands Lost Under Agricultural Grants.



Map of Kern River District.

Oil Fields in the Kern River District.

\$4000 a year, is \$1,047,500,000, or about \$11.05 to each and every man, woman and child in the United States.

The suit for the 4000 acres in the Elk Hill region is already in progress. Hearings before a commissioner began May 15 last in Los Angeles. These were Geologist Veatch and Charles W. Eberlein, the latter a former employe of the Southern Pacific. He served as land agent for that road from 1893 to 1904. It was during those days that the old-time interests that had been handed down from the time of Huntington were fighting to the death with the Harriman interests that had just assumed control of the road.

Eberlein was the personal representative of Harriman and had been sent out from New York to put to rout the men of the old regime. He refused to make any statement until he was duly summoned and sworn. Then he told the whole inside story of the land operations of the men on the inside of the Southern Pacific, alleging that this inner ring had systematically looted the company for many years. According to his evidence, one of the most successful methods of doing this looting was through the Kern Trading & Oil Company. One of the operations of this company, which was composed almost exclusively of men on the inside of the Southern Pacific Company, will show the manner of operation.

The Southern Pacific had been leasing its lands to private individuals, receiving one-fifth of all oil produced. The officials of the Southern Pacific who composed the Kern Trading & Oil Company, according to Eberlein's testimony, leased all the company's oil lands to that company for one-tenth of the oil produced. Then the oil company leased to the operator for one-fifth and thus received the difference, which was an amount equal to that received by the owners, the Southern Pacific. The old crowd had so perfected this plan that they were, quite naturally anxious to keep its operations secret from the Harriman interests. As land agent for the road Eberlein eventually came into possession of the facts and trouble resulted.

The two factions were at daggers' points at the time of the San Francisco fire. At this time many of the records of the Southern Pacific and its officers were destroyed. Eberlein personally rescued a great batch of papers which were much chattered and burned. Some of them were cinders but upon these cinders could be traced the record of what had previously been written. These cinders were photographed, the particularly important pieces of correspondence between these officials which showed their knowledge of the existence of oil in the Elk Hill land was burned from the bottom up to the very edge of the signature and there the flames stopped their work. Altogether, the possession of this correspondence has made out for the Government a case that they claim cannot be refuted. The next few months will witness the fighting out of this case.

Record of Other Cases.  
If this case, which holds that this particular \$12,000,000 piece of land was secured through fraud is lost, the Government will proceed for its possession as well as those other lands aggregating over \$1,000,000,000 in value upon the basis that they were, naturally, being mineral lands and therefore exempt from the provisions of the grant. All these lands are still the property of the Government. Patents for mineral lands have never passed from the Government to the Southern Pacific.

Wyoming is already developing oil fields, some of which are located on lands that are claimed by railroads. There are cases innumerable where railroads have laid claim to lands that it has claimed as agricultural, when, as a matter of fact, their chief value is because of the metals that lie beneath them or the timber that grows from them. The case is the most important from the standpoint of the public domain of any that has ever been brought.

Other Oil Land Grabbers.  
In no district was the Southern Pacific able to appropriate unto itself more than half the land. Its grants called for alternate sections. Those other sections were the prey of the individual land grabbers. Their methods have been many and interesting. Some have been many and interesting. Some have been many and interesting. Some have been many and interesting.

When the wealth in oil in this region of little fuel became apparent, resort was taken to other methods. The placer claim was the instrument that least interested most readily to the matter in hand. The placer claim entitles its locator to a rectangular 20-acre tract of land. He may locate but one tract at a time, but he may locate on locating ad infinitum. The greatest difficulty is the provision that he must do \$100 worth of development work on each claim each year. The law is intended to develop minerals and performs its purpose very creditably when rightly applied.

But these oil men found a method of getting more land than it was intended that they should have. They found this acquisition of 20 acres at a time was very tedious. So the joint claim was invented. Under the joint claim, eight persons could pool their interests, take 20 acres each and concentrate the assessment work for all the claims at one point. The individual oil operator, taking advantage of this arrangement and using the names of seven dummies along with his own, was able to gobble eight times as much oil lands, and there was no limit to the number of times he could work the scheme.

Much of this assessment work was most fantastic. There was no intention in this assessment work to perform any service other than to hold claim. Many of these holdings were, for example, claimed for the gypsum work they showed. The assessment work was done in this gypsum bearing rock. There is many a hillside in this oil territory that shows terracing of the most fantastic sort that has been done in the guise of gypsum development. Upon these hillsides in the deserts may be seen long flights of winding stairs that have been cut out by workmen whose sole business is to expend given amounts of labor to no avail that the claims might be held.

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