

Democratic Watchman

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OUR COUNTRY'S GREATEST ADMINISTRATIVE SCANDAL.

The Teapot Dome Oil Field Leases Have Thrown Washington into a Furore of Charges That Impugn Cabinet Officials.

Out in Wyoming, in a county called Natrona, in a spot just about forty miles north and a little to the east of Casper, is a rise of ground. On its crest stands a giant boulder. Approached from the proper side, the boulder bears a most striking resemblance to a teapot. That is Teapot Dome.

If, in the subsurface levels beneath that peaceful-looking old boulder, there ran nothing but water with which tea might be brewed, Teapot Dome would have no place in history. The best it could expect would be a certain land-mark status among the men who roam the ranges of "the great open spaces."

But, its substrata are rich with oil. And Teapot Dome, therefore, has become a household word wherever Americans are interested enough in their government to concern themselves with a political scandal.

It began when Albert Bacon Fall, as Secretary of the Interior in the Cabinet of President Harding, negotiated and signed a lease transferring the Teapot Dome naval oil reserve from the government to the private exploitation of Harry F. Sinclair, a multi-millionaire oil magnate and turfman.

The Senate protested as soon as it heard about the contract.

SENATORS DEMANDED INQUIRY.
Senator John B. Kendrick, Democrat, of Wyoming, and the ever-alert and chronically suspicious Robert M. La Follette, of Wisconsin, demanded an inquiry. They obtained it. The investigation has been in progress for many months. It attracted little public notice, until there crept into the hearings a suggestion that Mr. Fall may have received money from Sinclair.

Now it is the most important matter in Washington.

Little else is considered vital. Nothing else is discussed in cloak rooms of the Capitol; in the drawing rooms of social Washington. Newspapers are writing about it almost exclusively. Great throngs gather daily in the Senate committee room to hear sensational testimony; to watch one of the great mining lawyers of the West, Senator Thomas J. Walsh, of Montana, pick at the testimony of reluctant witnesses, trap them with cunning questions and pull from them the statements he has sought to hear for many months when he seemed all but balked in his efforts to establish an official impropriety in the lease.

Washington and Los Angeles and Palm Beach; dreadsnaughts out at sea—the "first line of defense"—and geologists prying into the secrets of Mother Earth thousands of feet below the surface; a horse ranch at Three Rivers, New Mexico—not many miles north of El Paso; a \$100,000 house on Long Island—the winnings of the 1923 champion of the American turf, Zev—"six or eight cows" confused in conversation with \$68,000 in canceled checks; a sudden trip to Europe by the millionaire Sinclair and a hurried cross-continent journey by the millionaire Doheny; one allegedly to escape the inquiry, the other to reveal a \$100,000 loan to a Cabinet officer; unexplained transfers of thousands of dollars in oil stock and Liberty bonds and contradictory statements by men of national reputation; a hasty and sensational resignation from high office of a son of Theodore Roosevelt—Archie Roosevelt, brother of the Assistant Secretary of the Navy and brother-in-law of the Republican leader in the House—all these and more are parts of the picture which the Senate committee has presented.

And gossip-loving and scandal-mongering old Washington is in its element.

NOT AN INTRICATE STORY.

It is not an intricate story, this Teapot Dome affair, though it has necessitated a wealth of explanation.

Warren G. Harding became President of the United States and Albert B. Fall Secretary of the Interior on March 4, 1921. They were fast friends. Mr. Harding had unbounded admiration for Fall's ability. Not only had they served together in the Senate, but they had been on the Committee on Foreign Relations together in the feverish days and nights of the League of Nations struggle with President Wilson. Fall had great analytical gifts when it came to picking flaws in a treaty or bill. He had gained special distinction as an authority on Mexican affairs. He was a bitter critic of the Wilsonian policy.

To say that Mr. Harding had the most profound faith in Mr. Fall's integrity is to say but half the truth. Mr. Harding was not alone. So did everybody else.

Although the Senate inquiry has developed testimony so serious as to convince the calm and conservative mind of President Coolidge that matters in disclosure require an explanation and demand a Department of Justice investigation for possibility of criminal conduct, Washington does not want to believe even yet that Albert Fall despoiled a public trust and gave away public property in exchange for bribes from millionaire oil magnates.

URGED RATIFICATION OF TREATY.

Five days after he entered the White House, President Harding sent to the Senate a special message urging ratification of the treaty with Colombia, involving payment of \$25,000,000. From the time President Roosevelt obtained the Panama Canal route and aroused the Columbians, the Republican party was opposed to the treaty on the ground that it insultingly repudiated Roosevelt by paying damages to Colombia.

"Oil," said opposing Senators. Fall acknowledged it was oil. American companies needed support of the Colombian government. The treaty was ratified by a narrow margin.

Now, along toward the end of the Wilson administration, Judge John Barton Payne, as Secretary of the Interior, had granted some drilling rights to Doheny's company, the Pan-American Petroleum company, in one of the naval reserves. A row followed between the Navy and Interior Departments.

The naval oil reserves had been set aside by Congress in 1909 and had been safeguarded zealously by the conservation policies of Presidents Roosevelt, Taft and Wilson. Secretaries Daniels wrote many reports for their preservation, and gave constant battle to bills offered in Congress to open the reserves to private development. The oil interests had tried repeatedly to persuade Presidents Taft and Wilson to lease them. They tried in vain.

On May 31, 1921, President Harding signed an executive order transferring control of the naval reserves from the Department of the Navy to the Department of the Interior and vesting absolute power in Secretary Fall.

In a letter to Edward L. Doheny, dated July 8, 1921, relating to the interdepartmental trouble, there had been over the Doheny lease in California resulting in Doheny voluntarily releasing eight of the twenty-two wells to the Midway Oil company, Fall stated:

"There will be no further possibility of any further conflict with navy officials and this department, as I have notified Secretary Denby that I should conduct the matter of naval leases under the direction of the President, without calling any of his forces in consultation unless I conferred with himself personally upon a matter of policy. He understands the situation and that I shall handle matters exactly as I see fit and will not consult with any officials of any bureau in his department, but only with himself and such consultation will be confined strictly and entirely to matters of general policy."

CONFERENCE AT FALL'S RANCH.

It was at about the same time, or a little earlier, that Fall, after a hearing, set aside an adverse report of Fred C. DeZendorf, legal authority in the general land office, on the title of the Standard Oil company of California to drill for oil on land adjacent to Naval Reserve No. 1, in the Elk Hills district, which begins about seven miles south of Taft, California. Attorney General Daugherty was said to have occurred in the validity of the Standard Oil title. That was important only in relation to subsequent developments and some further charges which are likely to be made in the Senate investigation.

Harry F. Sinclair and his Washington attorney, Colonel J. W. Zevely, known as "Bill" Zevely to some of his friends and as "Zev" to others, went to Secretary Fall's ranch at Three Rivers in December, 1921. They spent the New Year's eve there. The first discussions of Teapot Dome and of the possibility of Sinclair's leasing it occurred at that time. The suggestions in the Senate hearings have been that Fall initiated the conversation covering that official business. Stress is placed on the fact that he elected to do so at Three Rivers, 2500 miles from the office of the Secretary of the Interior.

Formal application by Sinclair for the Teapot Dome lease was made to Secretary Fall on February 3, 1922. The lease was signed by Secretaries Fall and Denby on April 7, 1922.

At that time Senator Kendrick was urging a bill to obtain for the State of Wyoming a share in the royalties from the oil fields. Kendrick stated publicly that as late as April 15 the Interior Department denied that Teapot Dome had been leased to the Mammoth Oil company, which Sinclair organized for the purpose.

"It is worthy of note that the text of the lease of April 7 was not given out until after Senator LaFollette's resolution was introduced on April 21 calling for an investigation of the whole matter," Senator Kendrick says.

FALL DEFENDS SECRECY.

Fall defended the secrecy on the ground that he was acting in a military matter for the commander-in-chief of the Army and Navy and did not regard it as good public policy to broadcast the fact that the Navy was preparing to store vast quantities of fuel oil to be obtained as royalty oil under the Teapot lease with Sinclair.

Now, it is not denied that Sinclair went into the Teapot Dome field to make money, just as Doheny took over the Elk Hills reserve when oil men said he had bitten off more than he could chew. Doheny expected to get \$120,000,000 into the project and to make a profit of \$100,000,000 net. Sinclair never has estimated his possible returns. The right of those men to make a profit has not been challenged, but it has been the contention of their critics that they were to gain millions on millions without giving to the government a fair share.

Two chief arguments were advanced by Fall in defense of his leasing policy.

The first was that it was a policy of conservation to take the Teapot Dome oil out of the earth and have the Navy's royalty oil stored in tanks for use at some future date, and second, that instead of permitting the pools to be depleted by drainage from adjacent operations of private interests, the Navy was obtaining an advantageous share of royalty oil; that the leases were the best which could have been obtained; that he had gained better terms by dealing privately with Sinclair than by open competitive bidding.

That the Naval Reserve No. 1 in California was being drained by adjacent operations is acknowledged generally, but Fall's foes now are undertaking to show that when he overruled the DeZendorf opinion holding invalid the title of the Standard Oil company of California in the Elk Hill district, he paved the way for that company to drain the Naval Reserve and himself caused a condition through which he sought later to justify his leasing of the entire reserve to Doheny.

With respect to Teapot Dome a violent controversy has raged as to whether the operations of the Midwest and pioneer companies in the adjacent Salt Creek fields were draining

the Teapot Dome. Secretaries Fall and Denby have relied on men they regard as eminent geologists, who contended that Teapot Dome was so menaced.

DRAINAGE FEARS SCOTED.

Dr. W. C. Mendenhall, chief geologist of the United States Geological Survey, testified on November 1, 1923, as follows:

Senator Walsh—"What have you to say as to the necessity for or advisability of leasing the whole of the Teapot Dome by reason of wells on the adjacent Salt Creek structure?"

Dr. Mendenhall—"If it were desired to maintain storage of oil for the Navy underground, and if, with that policy in mind the sole reason for the leasing of the Teapot Dome was the fear that oil within the dome would be withdrawn in serious amounts by wells drilled to the north of it and outside the reserve, it would be my opinion, that that fear was unjustified and that any leasing in consequence was unjustified."

Senator Walsh has relied on the statements of other geologists. Senator Kendrick has reposed great confidence in the statements of former Governors R. B. Brooks and Robert D. Carey, both of them oil men and both contending there was no soundness to the argument that operations in the Salt Creek sector were draining the Teapot.

"No one can justify the bartering away of valuable natural resources, the property of the State and the Nation," said Carey, as Governor of Wyoming. He is a Republican.

G. B. Morgan, State geologist of Wyoming, declared:

"My opinion is that Teapot Dome and Salt Creek are separate structures with practically no possibility of draining Teapot through Salt Creek fields."

NAVAL OPINION DIVIDED.

Opinion was divided among naval officers, whose duties brought them in contact with the oil reserves. They differed also as between the policy of leasing the reserves on a royalty basis with the provision for the storage of the navy oil. Rear Admiral Griffin has opposed it bitterly before the Senate. His successor as Chief of Naval engineering, Rear Admiral Robinson, has been an ardent defender of the Fall-Denby policy.

The great controversy over the Teapot, it might be well to point out, has been due in large measure to the fact that it was the last and the richest of the naval oil reserves created in 1912.

Now, regarding the terms of the lease which Sinclair obtained. Secretary Fall, in a memorandum outlining the lease to Secretary Denby, April 12, 1922, stated his opinion that through the contract with Sinclair the government would obtain a better price for its crude oil, obtained through royalties in the Salt Creek structure, than if the Teapot lease had not been made because it threw Teapot into competition with the other refiners.

Secretary Denby contends to this day, as does Colonel Theodore Roosevelt, Assistant Secretary of the Navy, as the most advantageous which the government could have obtained under any circumstances. They are convinced no lease as favorable to the government could be obtained were the whole matter thrown open again.

FALL INVOKES HARDING'S SUPPORT.

And so run the conflicting contentions through five printed volumes of testimony heard by the Senate committee from October 22, 1923, to date. It is necessary to recall, too, that after the Senate adopted, on April 29, the La Follette resolution for an inquiry into the Teapot Dome lease, Secretary Fall prepared for President Harding a long memorandum which the President transmitted to the Senate with a letter of his own indorsing the Fall leases and taking personal responsibility for them.

Former Secretary Daniels had said that it would be nothing less than "criminal" for the reserved naval deposits to be opened up for private exploitation; that in the event of war with the development of all-burning battleships, the fields might mean the very existence of the United States. When private interests threatened to dig wells that would draw oil from

the California reserve, he said he would dig two wells for one to offset such operations and he added that, if necessary, he would send marines to safeguard the government's rights.

That rankled with Fall, even up to the time he wrote to President Harding, in response to the Senate demand for the facts, outlining his reasons for the lease. He alluded to the private drilling operations that long had been in progress on reserve No. 2 in California. Various rights had been granted by his predecessors, because of water intrusions and similar reasons, to private companies. He pointed out that a total of 724 wells had been drilled on this one reserve prior to the advent of the Harding Administration.

He added that, "despite wild statements to the contrary, as far as I have been able to ascertain, no marines of the United States Navy had been called out to prevent such drilling for any reason whatsoever, nor had any other force been used to preserve at any cost the oils to the Navy Department."

HARDING TOOK RESPONSIBILITY.

It was upon receipt of this letter from Fall that the late President Harding took upon his shoulders full responsibility for what had been done. In his message of transmittal of June 7, 1922, accompanied by the Fall letter to him, Mr. Harding took pains to point out that his message was not to be construed as a defense, but, on the contrary, to carry his full indorsement.

"It is not to be construed as a defense of either specific acts or the general policies followed in dealing with the problems incident to the handling of the naval reserves, but it is intended to afford that explanation to which the Senate is entitled, and which will prove helpful to the country generally in appraising the administration of these matters of great public concern."

"I think it only fair to say in this connection that the policy which has been adopted by the Secretary of the Interior and the Secretary of the Navy, in dealing with these matters, was submitted to me prior to the adoption thereof, and the policy decided upon then and subsequently has at all times had my entire approval."

WALSH UNCOVERS SCANDAL.

Until Carl Magee, a New Mexico newspaper man appeared before the Senate committee with a story of Fall's sudden affluence and his extensive purchases of property and cattle in New Mexico, the inquiry had proceeded wholly along lines of a discussion of the technical aspects of the Teapot lease. Given a lead, Senator Walsh kept prying, asking thousands of questions. At last he struck soft spots.

The developments of the last two weeks followed in rapid succession. They are so recent as hardly requiring repetition. Yet, with whatever of these facts the scandal might be mitigated, it is too late, perhaps, to convince the considerable body of American public opinion that Albert Bacon Fall's job as Secretary of the Interior and as friend of multi-millionaire oil men was not a regular Aladdin's lamp. Whenever he needed—Washington feels much of the country always believe—\$25,000 or \$30,000 or \$100,000, he took on a nonchalant air and an oil geni appeared with crisp currency in black satchels.

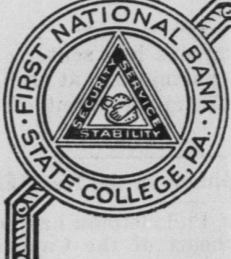
And Fall, awaiting in a sick room his turn on Tuesday to face a prying throng of Senators, says he is "sorry" he deceived the committee. He protests he did nothing corrupt.

Pitied by the charitable, who wish to suspend judgment, called a traitor by his political foes, the Kentucky lad who became a school teacher, soldier, State Supreme Court Justice, then United States Senator and Cabinet minister, is, at this time a sorry figure. Certainly, he is a far different Fall than the reserved, often austere, sometimes, perhaps, arrogant figure pre-eminent in the Senate and the Cabinet.

Recognizable.

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Son—"Yes. He's down yonder with them thar hogs, but you'll know him all right, cause he's got a hat on."



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