



Prospects for Alaskan Oil...In 1920

Posted by [JoulesBurn](#) on November 8, 2008 - 10:40am

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Tags: [alaska](#), [oil](#), [original](#) [[list all tags](#)]

In my personal battle to delay Peak Natural Gas, I have gutted a bedroom in my 1920's vintage Seattle house and am adding insulation and new windows. During restoration of an older house, one hopes to find treasures left behind by the years -- such as an old bottle of scotch or something. No such luck so far on something of that nature, but I have found some interesting items including a remarkably well preserved bat skeleton.

Yesterday, however, I was pulling up fir flooring when I found that it had been underlain with pages from the local newspaper from 1920. The editorial section had a piece on Alaskan oil that was rather interesting, so I thought I would share this look into America's oil past.



Here is the editorial, printed in the Seattle Daily Times on April 14, 1920:

Alaska Oil

The enlightened policy outlined by Secretary Payne today should go a long way toward stimulating the search for and the production of oil in Alaska.

The secretary's purpose is to remove some of the restrictions which have discouraged prospectors while, at the same time, retaining government equity in production where the amount obtained is sufficient to register a substantial profit to the operator.

Conditions in Alaska are, in many ways, comparable with those obtaining in Pennsylvania at the time of the initial prospecting and successful drilling of that state. The early operators there were frightfully handicapped by bad roads -- a difficulty by the way which is being encountered by persons owning wells in the new Texas fields. A barrel of oil that might be bought for \$1 in the fields nearest tidewater, would cost \$10 by the time it had been transported to seaboard.

Should oil be discovered in paying quantities in interior Alaska, transportation and other costs will be exceptionally heavy. There are few roads and only a limited number of trails, while pipe lines are an unknown quantity and will remain so until the Northern fields develop production on a big scale.

The Payne regulations recognize these circumstances and do not require a royalty from

wells on government land producing less than 100 barrels a day. More productive wells will pay a 5 percent royalty after five years and 10 percent after ten years.

Moreover, the successful prospector always will be allowed to use one-fourth of the land he leases royalty free, no matter how much oil he obtains.

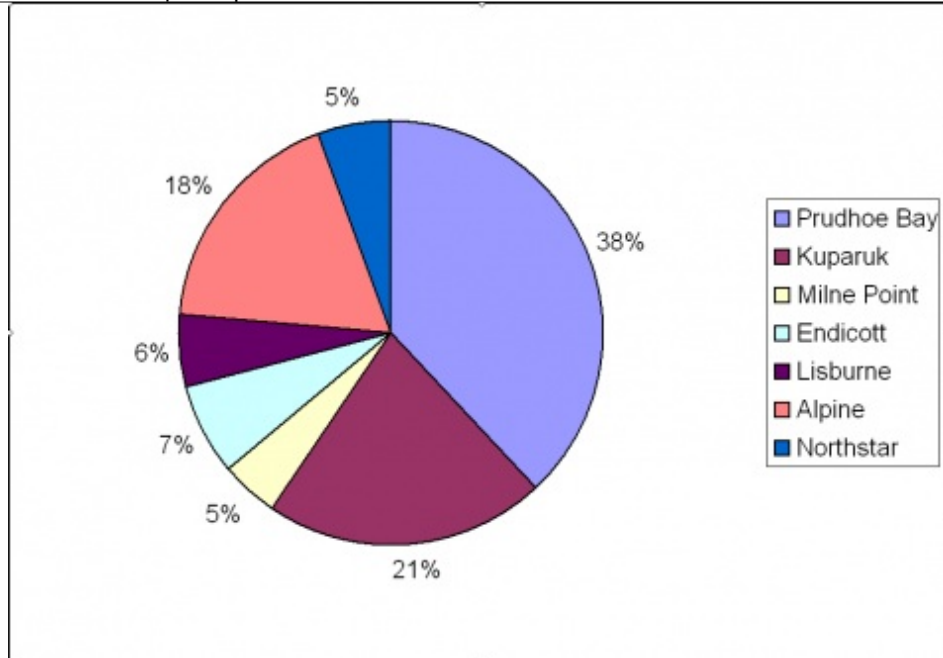
The new rules appear just and reasonable. Only by the application of wisely generous regulations of this nature will it be possible to develop not only the oil but all the other resources in the territory.

To put this editorial in perspective, here is a recap of Alaskan oil:

Milestones in Alaska Oil (excerpted from [here](#))

- **1853** Oil seeps in Cook Inlet discovered by employees of Russian-America Company
- **1890** First oil claims are staked in Cook Inlet
- **1900** First exploratory well is drilled in Cook Inlet
- **1902** First oil production in Alaska
- **1957** Atlantic Richfield discovers oil at Swanson River on the Kenai Peninsula, beginning Alaska's modern oil era. The Swanson River field on the Kenai Peninsula was the first commercial production site for oil and gas in Alaska's modern oil era.
- **1958** Congress passes Alaska Statehood Act conveying ownership of 104 million acres.
- **1959** Alaska is admitted to the Union as the 49th state, and William A. Egan becomes Alaska's first governor. British Petroleum begins to explore for oil on Alaska's North Slope.
- **1960** Amoco finds offshore oil in Cook Inlet.
- **1968** Atlantic Richfield pumps oil from exploratory well at Prudhoe Bay; recoverable reserves of oil estimated at 9.6 billion barrels
- **1973** Congress passes legislation allowing construction to begin on the trans-Alaska pipeline. War in the Middle East in October causes oil prices to rise from \$3 to \$16 per barrel.
- **1974** Construction begins on the pipeline; thousands of workers flock to Alaska in search of jobs. Construction lasts 39 months, costs \$8 billion, including the Marine Terminal in Valdez
- **1988** North slope oil production peaks at 2 million barrels per day
- **1989** Exxon Valdez spills 11 million gallons of oil into Prince William Sound
- **2008** Governor Sarah Palin discovers Russia

There might have been a lot of interest and hype in 1920, but not much happened for many years. As indicated in the timeline above, production peaked in 1988 and will not likely again reach that level. Current (July 2008) Alaska oil production of about 650,000 barrels per day is distributed as follows:



(Chart from [Northern Crude](#))

Back to the Past

The editorial is referring to oil policies of Secretary Payne, but I have been unable to find information on what the policies were. However, [John Barton Payne](#) was Interior Secretary under President Woodrow Wilson for only about a year. He was at one time a proponent of the formation of a United States Oil Corporation which would have been responsible for all development of oil in other countries, but this effort didn't fly.

Sometime in early 1920, Payne accompanied Josephus Daniels, Secretary of the Navy, to Alaska to inspect the resource bounty there. Daniels was interested in both coal and oil to fuel naval ships. A New York Times [article](#) quotes Daniels as saying:

"Many persons are taking out oil leases and the Alaskans believe that their territory's oil wealth will surpass the wealth that comes from its gold mines, which are being worked despite the fact that gold is the one commodity which remains stationary while everything else soars"

Payne's short tenure in that position was bracketed by two of somewhat greater controversy. His predecessor was [Franklin Knight Lane](#). Although the National Park Service was created during Lane's tenure, he fought hard within the Interior Department for a dam to be built in Yellowstone's Bechler Valley to supply water to Idaho beet farmers. He was ready to fire his subordinates, but instead took a lucrative position with the Pan American Oil Company. Payne, who replaced him, was opposed to the whole dam idea. Yellowstone was spared, and Payne later went on to chair the American Red Cross.

Payne's successor in the newly elected administration of Warren G. Harding was [Albert B. Fall](#) (no, really), who was eventually [convicted](#) of conspiracy and bribery in the Teapot Dome Scandal.

Fall was appointed to the position of Secretary of the Interior by President Warren G. Harding in March 1921. Soon after his appointment, Harding convinced Edwin Denby, the Secretary of the Navy, that Fall's department should take over responsibility for the Naval Reserves at Elk Hills, California, Buena Vista, California and Teapot Dome, Wyoming. This last setting was used for the namesake of the scandal. Later that year, Fall decided that two of his friends, Harry F. Sinclair (Mammoth Oil Corporation) and Edward L. Doheny (Pan-American Petroleum and Transport Company), should be allowed to lease part of these Naval Reserves.

His failure to have competitive bidding for the reserves resulted in the Teapot Dome scandal. The investigation found Fall guilty of conspiracy and bribery, \$385,000 having been paid to him by Edward L. Doheny. Fall was jailed for one year as a result—the first former cabinet officer sentenced to prison as a result of misconduct in office. It is often joked among historians that Fall was "so crooked they had to screw him into the ground" upon his death.

Mr. Doheny was not only acquitted on the charge of bribing Fall, but Doheny's corporation foreclosed on Fall's home in Tularosa Basin, New Mexico, because of "unpaid loans" which turned out to be that same \$100,000 bribe.

The line "I drink your milkshake!" from the Academy Award-winning film *There Will Be Blood* is paraphrased from a quote by Fall speaking before a Congressional investigation into the Teapot Dome scandal. Paul Thomas Anderson, the film's director, writer and producer, was enamored with the use of the term "milkshake" to explain the complicated technical process of oil drainage to senators.

Talk about justice.

As we await the release of the forthcoming 2008 IEA World Energy Outlook, it is interesting to read Payne's comments about a USGS report he [made public](#), which portrayed storm clouds ahead:

"According to my information," Secretary Payne says, "the March consumption of crude petroleum exceeded that of a year ago by 12,000,000 barrels. This single month's record of 44,000,000 barrels means that the United States is now using more oil each month than the world used in 1885. These are facts that must be faced by every citizen who uses any petroleum product, whether fuel oil, gasoline, or lubricating oil, and these figures likewise raise questions of public policy, for in the matter of oil the United States is certainly living beyond its means"

Cornucopians will no doubt believe that history is repeating itself given our current concerns which echo this earlier time, but the rest of us await the new super giant discoveries needed to complete the repeat. And while we're waiting, we're still burning (oil, that is).

MONDAY EVENING, APRIL 12, 1920.

DRUG ADDICTION TERMED DISEASE

Must Be Treated as Such,
Says Dr. Bishop, New York
Scientist.

MEDICAL HELP NEEDED

NEW YORK, Monday, April 12--
Reporting drug addicts as cured when
they have been merely deprived of
their drug is not the way to solve
the problem of drug addiction, ac-
cording to Dr. Bruce S. Bishop, au-
thority on drug addiction and a mem-
ber of the narcotic committee of the
American Public Health Association,
in a symposium on drug addiction.
"Statistical curves are very often
quite different from real conditions,"
the same Dr. Bishop maintained.
"This subject is not going to be
settled by superficial reports as to
some miracle of administration."
"What has so long been treated as
a habit is coming to be recognized as
a disease. It is a disease which is
not cured in any one case. The
first thing to do is to reach the addict
that he has a disease. One of the
most needed public health activities
is the dissemination of facts as to the
development and the maintenance
of addiction as a disease should be
taught from public and private."
A narcotic clinic, rightly conduct-
ed, with humane and intelligent med-
ical attention, should be of great
benefit to the community and should
be set toward discouraging under-
ground traffic. Too much emphasis
on public control and on restrictions
may make it worse of a disease than
it is. All public display of misery
in connection with the treat-
ment of cases should be avoided.

Medical Help Needed.
"One thing is needed which is really
helping, and that is medical help for
the narcotic addict. Instead of dis-
persing narcotic addicts away from
one another to another for help and
are really driven in desperation to
the drug vendor on the street."
"I know of no public hospital where
I would feel justified in sending a
narcotic addict today in the hope that
he would get the help that is ac-
cording to medicine suffering from any
other disease."

GASOLINE ALLEY — — Avery Knows — — By KING

(click to enlarge)



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