

April 23, 1947

Mr. Maurice Hudson
State Corporation Commissioner
Salem, Oregon

Dear Mr. Hudson:

Please refer to your letter dated March 31 concerning the Hay Creek Gas and Oil Development Company.

I am enclosing copy of Departmental report on the subject company as a result of a reconnaissance made by our Mr. Wagner in company with Mr. J. E. Morris, President of the company.

I believe that Mr. Wagner covers the points of possible interest to you in his section on "Economics". I suspect the company should employ a competent geologist to do detailed work on the so-called structure or structures. Mr. Morris, who has called on me in regard to this project, appears to understand its speculative nature but, of course, he is enthusiastic about his chances. I told him that mathematically his chances were extremely poor but in the last analysis the only way to prove whether or not petroleum may be found under the land he has leased is to drill a hole or holes. As Mr. Wagner states, the geology of this area does not rule the area out as a possible source of petroleum and that is as far as this Department is able to go in making any prediction.

The nearest test for oil and gas was drilled in the Clarno area but this Clarno well was started in the Clarno formation and, insofar as this Department is informed, continued in Clarno throughout its depth. However, we have no definite evidence on this matter. Presumably Cretaceous underlies the Clarno formation and it is conceivable that the Clarno well penetrated the Cretaceous but, as stated above, we have no evidence one way or the other.

You ask if statements in our Bulletin No. 5 would apply to the area covered by the subject company's lease and I would say that there is little direct connection.

Very truly yours,

Director

FWL:jr
Encl.
bc H.S. Wagner

April 10, 1947

Mr. Maurice Hudson
State Corporation Commissioner
Salem, Oregon

Dear Mr. Hudson:

Please refer to your letter of March 31 concerned with
the Hay Creek Gas and Oil Development Company.

I regret the delay in replying to your letter. When
I received it, I wrote to our Mr. Wagner at Baker for
his report on the Hay Creek matter. I have not yet
heard from him and believe he is doing some field work.
As soon as I receive his report, I will write you.

Very truly yours,

Director

FWL:jr

Outland
AP 111
P.C. Ball



STATE OF OREGON
CORPORATION DEPARTMENT
SALEM

RECORDED
APR 1 1947
STATE DEPT OF GEOLOGY
& MINERAL INDS.

MAURICE HUDSON
Corporation Commissioner

March 31, 1947

Mr. F. W. Libbey, Director
State Department of Geology and Mineral Industries
702 Woodlark Building
Portland 5, Oregon

Re: Hay Creek Gas & Oil Development Company -
Washington corporation - 7/6/45

Dear Sir:

This department has an application on file from the Hay Creek Gas & Oil Development Company, a Washington corporation as of July 6, 1945, to sell 189,712 shares of common stock at the par value of \$1 per share for gas and oil development work on property identified as "along Hay Creek Gas & Oil Development anticline approximately three miles wide and 16 miles in length. The coverage extends from a point six miles south of Ashwood in Jefferson County, southwesterly, in Crook County and includes the entire old frontier cattle town of Grizzly and about 15 miles southeast of Madras". This property appears to be in Townships 11 and 12 South Ranges 15 and 16 East of Willamette Meridian. The applicants state they now have under lease 20,500 acres.

We again quote from their prospectus as follows: "...we may reasonably expect to encounter it (oil and gas) in this cretaceous formation at comparatively shallow horizons; that, although we intend to use standard type cable tools capable of drilling to 6,000 or 7,000 feet, if necessary, we may strike oil or gas or both at depths of but 3,500 or 4,500 feet."

It is our understanding from the promoters they intend to drill three wells on this property. In checking the location of above described property, we find it is approximately 24 miles southwest of the Clarno Well and about 24 miles west of the Mitchell Well. Your department has furnished information in the past relative to the possibilities

Page 2
F. W. Libbey, Director
3/31/47

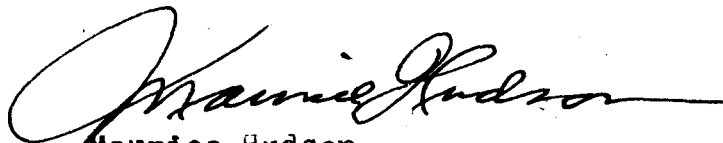
of productive wells in the Clarno and Mitchell areas.

Kindly advise this department if your findings relative to the Clarno Basin area, as indicated in your Report Bulletin No. 5 Clarno Basin 1938, inside the cover last paragraph, would also cover the above described property. Also, we would appreciate any additional information relative to the Hay Creek Gas & Oil Development Company properties that your department is able to furnish.

We understand that Mr. N. S. Wagner, State Geologist at Baker, had been contacted by Mr. James E. Morris of the above corporation and Mr. Wagner's report would be furnished this department upon our request. We trust this report is ready.

Thank you for your cooperation and assistance.

Very truly yours,



Maurice Hudson,
CORPORATION COMMISSIONER.

RSR:C

CONFIDENTIAL

United States
SECURITIES AND EXCHANGE COMMISSION
Regional Office
Seattle 1, Washington

In Replying Please Quote

S:JNF
24S-227

October 25, 1946

Mr. Norman S. Wagner, Geologist
State Department of Geology & Mineral Industries
Baker Field Office
2033 First Street
Baker, Oregon

Re: Hay Creek Gas & Oil Development Company

Dear Mr. Wagner

The above-named company is engaged in the sale of stock for the purpose of raising funds to finance a drilling of an oil well or wells on the so-called "Hay Creek Anticline," approximately six miles south of Ashwood, in Jefferson and Crook County, Oregon.

I am enclosing herewith some of the advertising material which is being used by the company. You will notice especially that it is claimed a discovery of oil was made by Mr. & Mrs. R. A. Griffin on property adjoining the main lease area while the Griffins were engaged in drilling a water well.

While we have no information indicating that the company's undertaking is questionable, we realize that your field men would be better able to advise us of the speculative factors involved in such an undertaking, and therefore we are addressing this letter to you. We will greatly appreciate and, of course, consider as confidential any comments you may wish to make regarding this undertaking.

Since the enclosures are taken from our files we will appreciate it if you will return them to us when you have examined them. A franked envelope requiring no postage is enclosed for your convenience.

Very truly yours,

For Day Karr
Regional Administrator

John N. Fegan
Attorney

Enclosures

Let Oct. 15, 1946 to Shareholders
Affidavits (5)
Newspaper ad (2)

COPY

November 1, 1946

Mr. John N. Fegan, Attorney
U. S. Securities & Exchange Commission
1411 Fourth Avenue
Seattle 1, Washington

Re: S:JNF
24S-227

Dear Mr. Fegan:

I have just returned from a field trip of several days duration and have read with great interest your letter of October 25th regarding the Hay Creek Gas and Oil Development Company and the attached clippings of their advertisements.

Reports of activity, or of proposed activity, in connection with prospecting for oil come to the attention of this office every once in a while, but your letter regarding this particular company brought their existence to my attention for the first time. Furthermore, I am more than usually interested in this report because I spent about two weeks at Ashwood during the early part of this past summer on an investigation of the old Oregon King mine. While there, I heard no "oil talk" or any reports to the effect that oil showings had been encountered locally and recently as per the Griffin and Foulton affidavits. This is odd as the natives of a given community normally make a point of contacting visiting department members for the express purpose of calling their local resources or unusual finds to our attention.

Regarding your question concerning the speculative factors involved in drilling here I can say that the prospects of discovering commercial quantities of oil in the state of Oregon at large are generally regarded as being quite unlikely from a geologic standpoint. Certain regions however could be classed as questionably possible---at least until proven to the contrary---and in this respect certain areas in Jefferson and Wheeler Counties could be placed under this classification.

Several anticlines, one of which is known as the Hay Creek anticline have been recognized and mapped there. A formation which has been tentatively classified as being Cretaceous in age has also been recognized as occurring in this general area. Thus certain nominally "favorable" conditions do exist.

On the other hand the distribution of these Cretaceous (?) beds underneath the surface formations is a subject which is problematical; that is, how extensive they are and whether or not they underlie the

COPY

anticlines. Whether or not this Cretaceous(?) does, or did, contain the source and reservoir beds requisite for the production and storage of oil is also problematical. Assuming this Cretaceous (?) did contain oil sands, the extent to which the widespread volcanic activity common to the area may have adversely effected said sands is also open to question.

Until more basic data is available (preferably in the form of a carefully placed test well or two sunk to an adequate depth with the log compiled by a competent geologist) no geologist would be justified in making a categorical statement to the effect that a discovery of a commercial pool here was impossible. Although not impossible, the weight of available geologic evidence indicates such a discovery to be unlikely. Thus, drilling here would be speculative, but until a test well or two is drilled and potentialities of the area established one way or another, the drilling of such a well could hardly be classed as unconditionally unwarranted.

For your further information on the subject I am sending you a copy of a bulletin published by the former Oregon Bureau of Mines and Geology, the bulletin entitled "Oil and Gas Possibilities of Eastern Oregon", by John Buwalda. I would also direct your attention to a book entitled "Petroleum in the United States and Possessions" by Ralph Arnold and Wm J. Kemnitzer, 1931, pages 951-956 as I believe the manner in which the subject is summarized there would prove especially pertinent to you.

Regarding the bulletin on the Oil and Gas Possibilities in Eastern Oregon by Buwalda---I shall have to ask you to return this as the publications of the old survey have been out of print for many years and the copy I am sending you is from the library in this office.

The enclosures you sent me are being returned to attached to this letter as per your request and as follows---Letter Oct. 15, 1946
to shareholders
Three affidavits
Two newspaper advertisements.

Trusting the above answers your questions satisfactorily, I remain

Yours very truly,

N. S. Wagner
Geologist

NSW/np

Enc 7

cc Mr. F. W. Libbey
Portland, Oregon