

# State Department of Geology and Mineral Industries

702 Woodlark Building  
Portland, Oregon

Report by: Ray C. Treasher  
Date: August 23, 1943.

## KOEHLER OIL PROPERTY

Lincoln County  
Benton County

Gas has been struck in two wells drilled on the property and gas is used as a basis of oil predictions. No work on geologic structure has been done. The Koehler place is only about 10 miles from Kings Valley (in the Willamette Valley) where gas has been struck and oil reported. Lowell & Treasher reported on that area in 1939.

Owner: Harry Koehler, Nashville, Oregon.

Location: 100 acres in sec. 36, T. 10 S., R. 8 W., Lincoln County, and 72 acres in Benton County (sec. 31, T. 10 S., R. 7 W. ?). The drilled gas wells are close to the house which is in sec. 36, 0.9 miles north of Nashville, Oregon.

History: Twelve years ago (1931) Dick Laken of Eugene (?) drilled two wells here. One was 400 feet deep. Gas was struck at an unknown depth. Casing still extends above the surface and the well is uncapped. A small amount of gas still issues through a water seal. The other well was 700 feet deep. Gas had been struck but drilling continued, - when suddenly the derrick was wrecked by a terrific blast of gas. Eventually the well was capped and has remained so capped. The 400 ft. well is in a pasture, east of the road, about  $\frac{1}{4}$  mile south of the house. The 700 ft. well is just behind the barn. There is no record of any official test of the gas.

Koehler bought the place 5 years ago. Recently, he and his neighbor were approached by Geroge C. Holmes, 5226 North Interstate, Portland, with a proposition to have a well drilled. Holmes proposition is outlined in the attached contract. Koehler said they refused the contract, so Holmes suggested they draw up an agreement.

Holmes claims to be a Texas oil driller and knows all about locating holes. On his first visit, he pointed out several likely places for profitable drilling sites. I asked Koehler to keep in touch with our Portland office and to advise them of any impending agreements. He says there is considerable talk in his part of the country that the State Department G. & M. I. does not want to see any Oregon oil developed and it will do all in its power to prevent any such development.

I believe that one of these days we are going to have to do something about this oil business. See also the Tillamook oil story. A copy of the Holmes contract is attached.

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## CONTRACT

IT IS HEREBY AGREED, by and between Henry Koehler, Clyde R. Gillett and \_\_\_\_\_, d.b.a. Yaquina River Oil Company, party of the first part, hereinafter referred to as the Company, and G. C. Holmes, party of the second part, hereinafter referred to as the Contractor, that the Company shall, on or before the \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, deposit in \_\_\_\_\_, Corvallis, Oregon, the sum of \$75,000.00, said sum to be subscribed by the sale of oil and gas leases at \$25.00 per acre, and that for and in consideration of the amounts hereinafter set forth, the Contractor hereby agrees to drill a well on the following described location, to-wit:

subject to the terms and specifications hereinafter set forth, to the depth of 6000 feet unless oil or gas in paying quantities are found at a lesser depth or unless said drilling operation penetrates rock or a formation which cannot be drilled, said well to be completed on or before the \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_\_.

IT IS FURTHER AGREED that the three members of the Company shall act as trustees of any and all sums on deposit to the credit of said Company, shall receive and deposit all monies, endorse all checks, and pay all sums expended from said account, with the provision that no sums shall be disbursed without the written approval of the Contractor.

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IT IS FURTHER AGREED that the Contractor shall drill said well, furnish the derrick, drilling equipment, labor and fuel and any material, equipment and supplies necessary for the actual drilling thereof.

IT IS FURTHER AGREED that when the sum of \$7,500.00 is on deposit in said bank to the credit of the Company, an allotment of \$3,500.00 shall be issued to the Contractor to build the derricks, pits and cellar.

IT IS FURTHER AGREED that when the balance on deposit to the credit of the Company shall reach the sum of \$50,000.00, then an allotment shall be issued to the Contractor for the purchase and delivery of the casing at a cost of \$18,000.00.

IT IS FURTHER AGREED that when an additional sum of \$21,500.00 shall be deposited in the bank to the credit of the Company, over and above the sums hereinabove provided for, then a fund shall be issued to the Contractor in the sum of \$9,500.00 to retire any expense that may have accrued in the operation of this well, as commission, labor or material, it being understood and agreed, however, that after the total sum of \$75,000.00 has been deposited in the trust fund, then the balance on deposit shall at no time be less than \$44,000.00 until the well is completed to its total depth of 6,000 feet or penetrates rock or a formation which cannot be drilled. It is provided herein that in the event such a formation shall be found, the nature of such formation shall be determined either by the geologists of the State of Oregon or by a competent representative of Lane Wells Company of Los Angeles, California.

IT IS FURTHER AGREED that when the Contractor completes

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the well as above stated, he will be paid the balance of \$45,000.00 remaining on deposit, whether the well is a producer of oil or gas or a dry hole.

IT IS FURTHER AGREED that the Contractor shall, concurrently with the execution of this contract, be assigned a one-half interest in and to the 160 acre tract on which the well is to be drilled and the remaining 80 acres will be retained by the land owners and Trustees of the above Company.

IT IS FURTHER AGREED that the Contractor shall at all times have complete charge of the well, including all labor, and shall direct all work pertaining to said operation until completed, either as a producer of oil or gas or as a dry hole. In the event of a dry well upon completion of the drilling, same shall be examined by Lane Wells Company of Los Angeles, California, after an electric log has been taken of said well. In the event said well is a producer, then the Contractor shall have the right to operate the same for the Trustees upon a basis of one-half of the operating cost of said well, said contractor to purchase all necessary equipment and supplies to operate said well as economically as possible and said purchases of equipment and supplies to be made with the approval of the Trustees upon the obtaining of prices from responsible supply houses on such materials. It is provided herein that the Christmas tree for this well, in event it is a producer, shall be purchased from Hugh Company, Reed Roller Bit Company or Continental Supply

IT IS FURTHER AGREED that said Contractor shall have a one-third interest in and to any acreage acquired

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excess of 3,000 acres.

IN WITNESS WHEREOF, the parties herto have hereunto set  
their hands and seals this \_\_\_\_\_ day of \_\_\_\_\_, 1943.

\_\_\_\_\_  
(SEAL)

\_\_\_\_\_  
(SEAL)

\_\_\_\_\_  
(SEAL)

Party of the First Part

/s/ G. C. Holmes \_\_\_\_\_  
(SEAL)

Party of the Second Part

CONFIDENTIAL