

## **Tempest at Teapot Dome, Wyoming: The Greatest Political Scandal in the History of the American Oil Industry**

This talk was given by Matt Silverman at the February 3 RMAG luncheon meeting. Mr. Silverman was RMAG's president in 2014 and is Exploration Manager for Robert L. Bayless Oil Producer. He serves as the General Chair of the Petroleum History Institute meeting in Casper, Wyoming. 2015 marks the 100<sup>th</sup> anniversary of a series of Presidential Orders creating several Naval Petroleum Reserves, including Teapot Dome in Natrona County Wyoming.



**Teapot Rock--from which the field is named (from an old postcard)**

The Teapot Dome affair of the 1920s was the greatest political scandal in American history between the years of the Grant Administration in 1870 and Watergate a hundred years later. Mr. Silverman provided a chronology of events surrounding this affair:

- 1911: The Teapot Dome structure was identified by the USGS.
- 1915: President Wilson set up several Naval Petroleum Reserves including the Teapot Dome (NPR3).
- 1920: President Warren Harding was elected.
- 1921: Albert Fall, the Secretary of the Interior, received a no interest loan from Harry Sinclair of Sinclair Oil.
- 1922: Sinclair Oil received a non-competitive lease to run the Teapot Dome.
- 1923: The Senate investigates the Teapot Dome affair and President Harding fortuitously died in office.
- 1928: Fall and Sinclair were both convicted and sentenced to jail.
- 1923-2015: The field was run by the Navy and the US Department of Energy.
- 2015: Teapot Dome was acquired by Stranded Oil Resources for \$42.5 million.

The Naval Petroleum Reserves were set up to provide a reliable source of oil for the Navy in the case of emergency. At that time, it was becoming clear to the navies of both the USA and Great Britain that oil was supplanting coal as an efficient source of fuel. Oil-fueled ships were larger and faster, created less smoke and could be manned with fewer crewmen.

In 1920 Warren Harding became president and selected Albert Bacon Fall as the Secretary of the Interior. Fall was a rancher, lawyer and senator from New Mexico. Subsequently, the Naval Petroleum Reserves were transferred from the Navy to the Department of the Interior. These reserves were clandestinely leased to Sinclair Oil and Pan American Petroleum under the guise of protecting them from drainage from adjacent leases. Gilbert Pinchot, the founder of the US Forest Service, said "It would have been possible to pick a worse man for the Secretary of the Interior, but not altogether easy."

Harry Sinclair of Sinclair Oil and Edward Doheny of Pan American Petroleum were at the heart of the scandal. (Doheny provided the role model for the part played by Daniel Day-Lewis in the movie "There will be Blood".) Doheny paid Fall \$100,000 in cash using his son as bagman in exchange for leasing rights at the Elk Hill Naval Petroleum Reserve in California. Sinclair had given Albert Fall several hundred thousand dollars as an interest free loan. When Harding was warned about Albert Fall's activities he replied "If Albert Fall is not an honest man, I am not fit to be President of the United States".



**The Sinclair Dinosaur (from a Denver convention)**

The fraud was discovered when adjacent operators noticed Sinclair trucks loading at the Teapot Dome Field. This story made headline news in the Wall Street Journal shortly afterwards.

After President Harding's death, "Silent Cal" Coolidge became president. Progressive Senator "Fighting Bob" La Follette of Wisconsin and Democratic Senator Walsh of Montana investigated the Teapot Dome. Fall was convicted of bribery and sentenced to one year in jail plus a \$100,000 fine. Harry Sinclair was found guilty of obstruction of justice and served a 6 ½ month sentence. Doheny was acquitted, after which a senator remarked "You can't convict a million dollars in the United States".

A local Denver oilman, A.E. Humphreys (one-time owner of the Grant-Humphreys Mansion), was also involved. He sold 33 million barrels of oil to a dummy company owned by several leading oil company executives, including Harry Sinclair, who subsequently resold it at a profit to their own companies, thus defrauding the shareholders. Some of the profits from this deal were used to pay off both Albert Fall and the Republican National Committee's debts incurred in electing Warren Harding. When discovered, Humphreys committed suicide.

Starting in 1973 the USDOE administered Teapot as NPR3. The Rocky Mountain Oil Testing Center was set up in 1993. Under government control, the Teapot Dome has produced 22 million barrels of oil and generated \$569 million for the Department of Treasury. The Salt Creek Field northwest of Teapot was a world class field and has produced 700 million barrels. It has a 1,500-foot closure compared to the 300-foot closure of Teapot. In 2015 Teapot was producing 300 barrels of oil per day and 15,000 barrels of water from 300 stripper wells.

Meagher Energy Advisors was retained by the DOE in 2014 to solicit offers for Teapot Dome, and effective January 30, 2015 Teapot was acquired by Stranded Oil Resources for \$42.5 million.

The Petroleum History Institute will meet in Casper, Wyoming July 28-31, 2016. This meeting is open to the public and will include papers, posters and a tour of the Teapot Dome and Salt Creek Fields. For information see, [www.petroleumhistory.org](http://www.petroleumhistory.org).

Further information on the subject can be found in "The Prize" by Daniel Yergin and "The Teapot Dome Scandal" by Laton McCartney.