

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

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Abstract

Warren G. Harding's presidential administration was probably the most corrupt in American history, and the oil industry was right in the middle of the fun. The scandal surrounding Teapot Dome in the 1920s was the most infamous presidential malfeasance of the 20th Century until Watergate. A Presidential Order in 1915 created the first of Naval Petroleum Reserves, including Teapot Dome Oilfield in Wyoming. The advantages of petroleum over coal for naval fuel had proved irresistible, and the crude reserves were meant to provide a secure wartime supply. Harding chose New Mexico Senator Albert B. Fall for his Cabinet. Fall was a successful rancher and lawyer, but one whose enthusiasm for the private exploitation of the nation's strategic resources led a contemporary to say, "It would have been possible to pick a worse man for Secretary of Interior, but not altogether easy." Fall wrangled the Reserves away from the Navy Department, and then leased the field in 1922 to independent oil titan, Harry Sinclair, in a noncompetitive deal that guaranteed a favorable market: Uncle Sam. Senate hearings followed; Fall resigned less than a year later, and Harding died suddenly a few months afterwards. Investigators determined that Fall had received about \$400,000 (over \$5 million in today's dollars) in "loans" from Sinclair. He was convicted and imprisoned in 1931 for felonies committed in office, the first Cabinet officer ever to suffer such ignominy. Sinclair was jailed for contempt; the leases were invalidated by the Supreme Court, and Teapot was returned to the Navy. Teapot Dome is now administered by the U.S. Department of Energy (DOE), as the last Naval Petroleum Reserve. It is an asymmetrical, Laramide anticline on the southwestern flank of the Powder River Basin. Teapot includes basement-seated, north-south faults on its western boundary and deep, east-west faults throughout the field. Its key producing zones are Cretaceous sandstones and shales and the Pennsylvanian Tensleep Formation. Teapot still produces about 240 BOPD and 18,000 BWPD from about 350 wells. There is undeveloped potential for primary and enhanced oil recovery, as well as infill and horizontal drilling targets. Meagher Energy Advisors was retained in 2014 by DOE to solicit offers for Teapot Dome, effective January 30, 2015. Transfer of title to a new, private operator after 100 years as a Naval Petroleum Reserve will represent another exciting chapter in the history of America's most notorious oil field.

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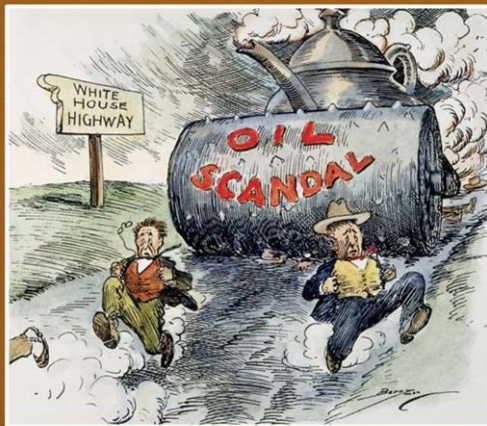
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TEMPEST AT TEAPOT: 1915 – 2015



The Greatest Political Scandal
in the History of the American Oil Industry

Matt Silverman



AAPG

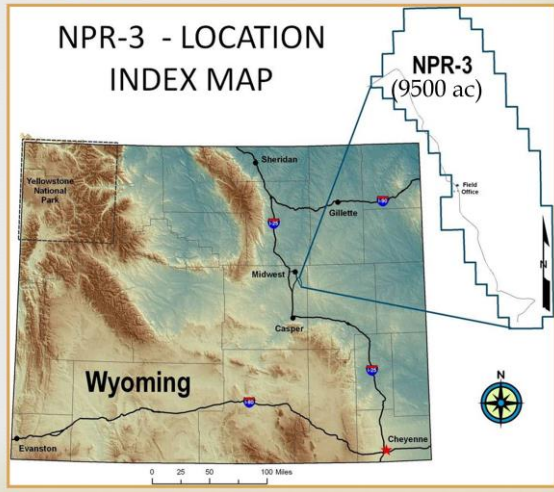
May 31, 2015

Presenter's notes: Image from the Granger Collection.

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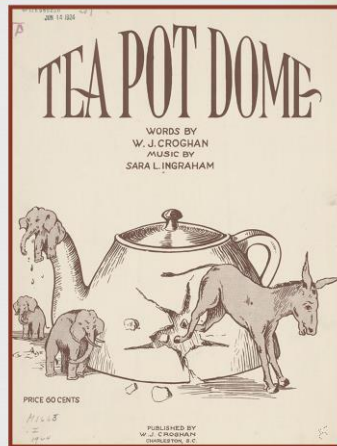


Presenter's notes: Figure is from Meagher Energy Advisors.

PLOT SUMMARY



- ❧ Sex!
- ❧ Bribes!
- ❧ Scandal!
- ❧ Greedy Oil Barons!
- ❧ Crooked Politicians!
- ❧ Bathtub Gin!
- ❧ Smoke-filled Rooms!
- ❧ The Roaring Twenties!
- ❧ Blackmail, Suicide and Murder!



<https://whogetswat.wordpress.com/tag/political-cartoon/>

NOW THAT I HAVE YOUR ATTENTION



1911: USGS identifies the structure (doubly-plunging anticline)

1915: Presidential order creates Naval Petroleum Reserve

1921: Harding's Interior Sec, Albert Fall receives no-interest
"loan" and other monetary "gifts" from Harry Sinclair et al.

1922: Fall grants noncompetitive lease to Sinclair's company

1923-24: Senate investigates, Fall resigns, Harding dies

1927-2015: USA operates the field: Navy contractors, then DOE

1929: Fall and Sinclair convicted and jailed

2015: Teapot Dome sold (competitively) to private operator

DRAMATIS PERSONAE



- ❧ Warren G. Harding: 29th President
- ❧ Albert B. Fall: Secretary of the Interior
- ❧ Harry Sinclair: Independent oil tycoon
- ❧ Edward Doheny: California oil legend
- ❧ Robert ("Fighting Bob") La Follette: Progressive Senator from Wisconsin
- ❧ Thomas Walsh, Montana Senator
- ❧ Calvin Coolidge: Harding's VP and successor

C. 1910: UK + US BEGIN TO CONVERT FLEETS FROM COAL TO OIL



Winston Churchill
First Lord of the Admiralty



Josephus Daniels and Edwin Denby,
US Secretaries of the Navy

SIZE MATTERS: bigger ships = more firepower
(oil-burning ships -- faster, less smoke, longer range, more efficient, reliable)

Presenter's notes: Denby-Daniels photo from National Photo Company Collection (Library of Congress). This image is available from the United States Library of Congress' Prints and Photographs division under the digital ID npcc.03604.

Churchill photo is from arts-graphics-2008_1184683a.jpg.

OIL FOR THE FLEET

"No drilling has yet been done in the Teapot dome, but the structural conditions here are very favorable for the accumulation of oil."

-C.H. Wegemann, USGS Bulletin 452, 1911

Prospective structure set
aside for Naval supply in
case of emergency



View No. 35 Date: 1 Dec. 1927 Title: Teapot Rock (Teapot sandstone)

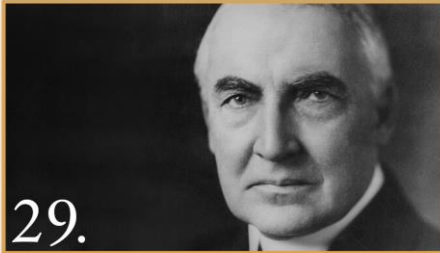
The estimated content of this reserve is 30,000,000 barrels of high-grade oil. . . While the entire reserve is covered by claims, none are considered valid by the Navy or by the Department of Justice.

Under the terms of the oil-land leasing act of February 25, 1920, . . . **the Navy's interests in these reserves can be considered very well protected.**

-Annual Report of the Navy Department, 1921

WARREN G. HARDING

- ❧ “Looked like a President”
- ❧ Likeable but a bottom-tier Chief Executive
- ❧ Poker and drinking buddy of Albert Fall
- ❧ Most corrupt administration; other crony appointments
- ❧ Distracted in office by a mistress and blackmailed by a former lover

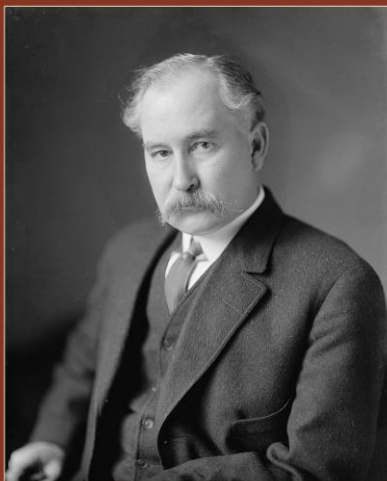


Carrie Philips



Nan Britton

ALBERT BACON FALL



Rancher • Lawyer • Miner
US Senate, R, NM

"the frontiersman, the rough and ready, two-fisted fighter . . . who looks like an old-time Texas sheriff . . . a Zane Grey hero"

-The New Republic

**Shifts NPR from Navy to DOI, (legally)
leases to cronies: "prevent drainage"**

"it would have been possible to pick a worse man for Secretary of Interior, but not altogether easy."

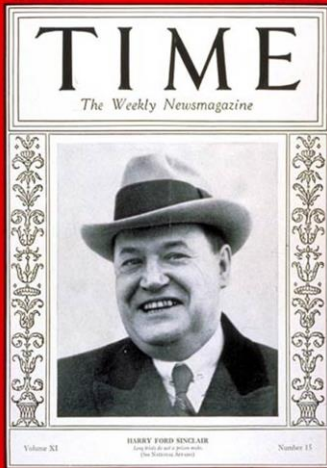
-Gifford Pinchot

" . . . if Albert Fall isn't an honest man, I'm not fit to be President of the United States."

-Warren G. Harding

**Only Cabinet officer convicted of a felony
committed in office (so far)**

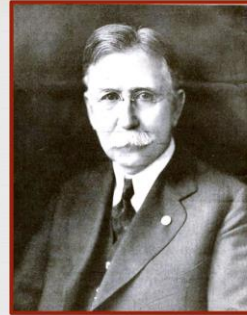
HARRY SINCLAIR



- ❧ First big strike at Glenn Pool, OK
- ❧ Richest man in Kansas, 1907
- ❧ Personally organized Mammoth Oil Co. to operate Teapot; Sinclair Consolidated bought 25%
- ❧ “Loaned” several hundred thousand dollars to Fall; received secret, noncompetitive lease
- ❧ Not guilty of fraud but served six+ months for contempt of court and Congress

EDWARD DOHENY

“Rockefeller of the West”



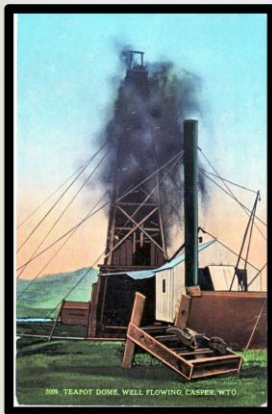
- ❧ First oil well in Los Angeles City Field
- ❧ Founded Pan American Petroleum
(predecessor for both Pemex and Amoco)
- ❧ Acquitted of bribing Fall with \$100,000 “in a little black bag”
to get Elk Hills, but Fall was convicted
- ❧ Careful to pay Democrats as well as Republicans
- ❧ Inspiration for the lead
in *There Will Be Blood*



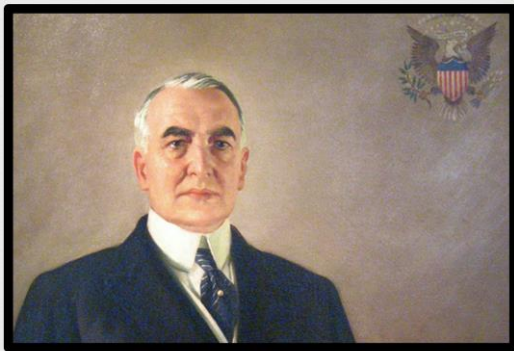
FALL RESIGNS AND HARDING DIES

☞ “I can take care of my enemies all right. But my damn friends ... they’re the ones that keep me walking the floor nights.”

-Warren G. Harding



Antique postcard courtesy Jeff Spencer



COOLIDGE TAKES OFFICE



Silent Cal

"The business of America is business."

Fires Harding's AG, others

"He looks like he was weaned on a pickle."

-Alice Roosevelt Longworth

"Grand Oil Party" overcomes scandal, wins again in 1924



SENATE HEARINGS



- ❧ Wyo oilman reported Sinclair trucks at Teapot; Sen. Kendrick asked for investigation
- ❧ WSJ story revealed secret leases
- ❧ Committee met and La Follette's offices were ransacked, like Watergate
- ❧ Investigation was led by Walsh, most junior minority member
- ❧ "How did Fall get so rich, so fast?" Walsh: hero; Fall: prison

Presenter's notes: Another significant outcome was the Supreme Court's ruling in [*McGrain v. Daugherty*](#) (1927) which, for the first time, explicitly established that [Congress](#) had the power to compel testimony. Refer to <http://www.wyohistory.org/encyclopedia/teapot-dome-scandal>.

SCANDAL AND CONVICTION

Fall: convicted of bribery not the leasing. Sentenced to one year and fine of \$100K. Served 9 months, died penniless.

Sinclair: acquitted of bribery but convicted of contempt of Congress and court: jury tampering. Served 6.5 months.



Antique postcards courtesy Jeff Spencer



Doheny (Elk Hills) acquitted: "You can't convict a million dollars in the United States."



DOE ADMINISTRATION AS NPR-3



1. Mid-80s: oil companies cut R&D budgets
2. DOE, industry and academia created Rocky Mountain Oilfield Testing Center (RMOTC), 1993
3. NPR-3 used for field testing of new technologies in 140 wells (not to be completed as producers)

22 MMBO:
\$569 million to Treasury



SALE TO PRIVATE OWNERS IN 2015



- ❧ Meagher Energy Advisors was retained by DOE-RMOTC to solicit offers for NPR-3 in 2014
- ❧ Data-room process
- ❧ Nine bids were received
- ❧ Winning bidder was Stranded Oil Resources, a subsidiary of Alleghany Corp (NYSE: Y)
- ❧ \$45.2 million
- ❧ "The scandal is now over."
-Matt Meagher

