OIL & GAS CONSERVATION COMMISSION
Meeting: November 25, 1964

JOHN BANNISTER, EXECUTIVE SECRETARY

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A G E N D A

OIL & GAS CONSERVATION COMMISSION

November 25, 1964

Commission Hearing Room
Room 204 - 1624 W. Adams, Phoenix

9:30 a.m. Call to order

1. Approval of minutes.
2. Approval of report by Executive Secretary
3. Approval of report by Geologist.
4. Old business.
5. New business.
6. Adjourn.

1. Discuss Kerr-McGee-Navajo Springs (copies of offered contract in.)
2. Discuss Ram Oil Company
3. Discuss Harless wells
4. Discuss Budget - publishing Rules & Regs

OK — 5. December Meeting 23rd (?) 16th

~~6. IOCC Dec 9th KV 12-10-64~~

Permit # 302
Johnson & Counts State #1
NE/SW/4 36-10N-7W Yavapai

Next meeting

MINUTES

August 26, 1964

Commissioners present:
Lynn Lockhart, Chairman
R. Keith Walden, Vice Chairman
Lucien B. Owens, Member
Orme Lewis, Member

Others present:
Senator Marshall Sims
John Bannister, Executive Secy
Robert P. Davidson
Henry Fullop
Roy Sharp
Jim Fulton
Alfred Morgan
Paul Brown
C.A. Martin, Jr.
Bill King
W.E. Cooper
Marjorie Rushton

Chairman Lynn Lockhart called the meeting to order at 9:05 a.m. in the conference room, Highway Department.

Motion was made and seconded that the minutes of the previous meeting of June 10, 1964 be approved as submitted.

Mr. Bannister called attention to the confidential report of August 19, 1964 mailed previously to each of the Commissioners concerning Ram Oil Company vs Mr. Roy Sharp, holder of the Sierra Bonita Ranch oil lease, and read Mr. Sharp's letter addressed to the Commission, in which Mr. Sharp contended that all rules and regulations had not been complied with, particularly as to Ram not using a blow-out preventer.

Mr. Bannister stated that Mr. Petty informed him that he had checked with Ram's Mr. Harden and had told Mr. Harden that a blow-out preventer was not needed and would not be required. Mr. Bannister further stated that this problem appeared to be a quarrel between two parties. Ram was current with the requirements of the Commission and not in violation of any rules and regulations; the ranch owner had no quarrel; and that every opportunity for Ram to perform should be granted.

Mr. Walden opined the Commission should not be involved in a lease dispute between these parties because the Commission is not a regulatory body in that sense; the operator was given permission by our geologist to operate without a blow-out preventer; and that the Commission should take no issue on this thing whatsoever.

It was directed that Mr. Bannister write the two parties accordingly.

Mr. Bannister indicated that Ram may request another extension and so far as he is concerned he intends to grant the extension and asked for comments from the Commissioners.

Mr. Owens stated that the Commission had no place in the quarrel, but that the Commission should go along with the Rules and Regulations.

In response to the next call for business from the Chairman, Mr. Bannister suggested that the Kerr-McGee Application for Hearing, concerning the Navajo Springs Unit, be the next item of business.

Mr. Orme Lewis disqualified himself from this portion of the meeting.

Mr. Bannister presented as background the following: The Unit Hearing was held the last of May and the Commission granted the Unit June 10. On July 30 Eastern Petroleum presented evidence that the necessary parties, 63% of the royalty owners and working interest owners, had agreed and executed a unit agreement so the unit became effective July 31.

Kerr-McGee had been closed-in 60 days to allow the operator, Eastern, to get the signatures in. August 10, ten days after the Unit became effective, the suspend order on Kerr-McGee came to an end and Kerr-McGee was notified that they could produce the Barfoot, subject to the Unit Agreement.

On August 10 Eastern Petroleum held an operator committee meeting, which is the controlling committee under the Unit Agreement. As part of this they agreed to begin actual physical operation on August 21. In the interim they would be making their inventory so as to bring everyone into equal financial position.

Kerr-McGee wants to produce right away and requested Eastern to start the Barfoot. Eastern replied they would be glad to work out some system where they could produce on a day-to-day basis or month-to-month basis, subject of course to Unit Agreement.

Meantime Kerr-McGee has said Eastern will not produce and will not let them produce; so either make Eastern start producing, or let Kerr-McGee produce the Barfoot.

Mr. Bannister stated he believed the application improperly before the Commission and should not be heard that the Commission has approved a unit plan whereby correlative rights are being protected and a procedure was set up for producing this unit. This is a matter that can be handled, and there are ways to handle, under the unit agreement. He did not think we should step in again as a judge of contention between two parties. The Commission's position is to see that the Unit Agreement and the Unit itself is protected.

Mr. Davidson, counsel for Eastern Petroleum, Unit Operator, opposed the granting of a hearing for the following reasons: The Commission lacked jurisdiction; the application failed to state a claim upon which the relief requested can be granted; and the application requested alternative relief by requesting permission to produce unlawfully in contravention of Section 27-534.

Mr. Davidson then detailed chronologically the steps taken by Eastern to get the Unit into operation. All unit members were present at the organization meeting August 10. Dr. Barfoot was represented by proxy by Kerr-McGee. Basic data, as required by the Agreement, such as title opinions, original leases and contracts, all production and well data, had been requested from all members but as yet Kerr-McGee had not complied. The Unit, as such is run by an operating committee and by majority vote. This is application by dissatisfied minority interest owners and they have not made any request of the operating committee to study this problem.

Mr. Davidson stated Eastern was perfectly willing to produce the same amount of gas that Kerr-McGee had previously nominated as unit production.

Chairman Lockhart queried as to whether the Barfoot well was running or shut-in. Mr. Davidson replied it was shut-in.

Mr. Henry Fullop, Eastern Petroleum, stated they had no intention of hurting Kerr-McGee, that Kerr-McGee could take their production in kind--this was the purpose of a unit.

Mr. Owens indicated that it seemed that what Kerr-McGee is asking is not in conformity with what the Commission did when it established a field-wide unitization with an operating committee to operate this unit, and that in actuality the basis on which the operator determines that any well will be operated within a unit is the basis on which that well must be operated. And to ask for a set-aside of one well, out of unit agreement, is in effect asking for repeal of the Commission authorization. They should be given a chance to operate and this application for set-aside be denied at this time.

He so moved, the motion was seconded and passed.

Meeting recessed at 10:00 a.m. to permit the conduct of the hearing between the Hopi Indians and Superior Oil Company.

Meeting reconvened at 11:40 a.m., with Mr. Lewis participating.

The proposed budget for 1965-66 was discussed. The increase in personnel and monies was justified by the anticipated increase in activity with Eastern and Arkansas-Louisiana and the work that must be done in connection with existing wells to bring them into line with the Regulations.

Senator Sims indicated it was his opinion that the budget application would be well received with the exception of a new employee, a "records clerk" at $6,000.00. This was a rather high salary for a run-of-the-mill clerk. Further discussion decided that "administrative assistant" would be more properly descriptive of the position.

Mr. Bannister was directed to prepare the budget along this line and to verify percentages of increase or decrease.

Senator Sims suggested that to substantiate the request for capital outlay, a new auto, that invoices for repairs and maintenance on the old automobile be presented to the legislative committees.

Chairman Lockhart raised the question of hiring a new geologist. It was decided that Mr. Bannister should have 2 or 3 outstanding applicants present for interview at the September Commission meeting.

Mr. Lewis questioned the naming of a well. The well seemed to be different from the pattern or policy for naming wells. Mr. Bannister will scrutinize the naming of wells.

Chairman Lockhart urged all Commissioners to attend the October 28 meeting with the Navajo Indians. Mr. Bannister will firm up the arrangements.

The matter of Arizona being represented at the hearing in Federal Court in Portland, Oregon, State of Montana vs Assiniboine Indians to compel the Indians to pool and space oil wells was discussed and it was agreed by the Commission that Arizona would not be represented at this hearing.

Mr. Bannister presented a list of people and/or firms who might be of interest to the Commissioners when they go around and contact people to poll their interests and intentions in Arizona.

It was decided that a record continue to be maintained of all telephone calls and visitors received in the office of the Oil & Gas Conservation Commission.

Meeting adjourned at 12:55 p.m.

32 x 8

November 16, 1964

Memo to: Commissioners
From: John Bannister, Executive Secretary

Re: Report of Activities

There was no official Commission meeting October 28, 1964 due to a lack of quorum.

October 27, 1964. The second Hopi sale netted the Indians $1,300,000. Thirteen companies and two individuals bid on 42 tracts of the 73 tracts offered. Average bid was $17.00 per acre. Tenneco again made the high bid, $449,766.00, or $175.00 per acre, for 2,560 acres. The next Hopi sale will be November 24th.

The Hopis probably won't be in too much of a hurry to have further sales, waiting, of course, for exploration to increase the value of their leases. The chiefs of five villages are seeking a U.S. District Court injunction against leasing and drilling.

November 3, 1964. The Navajos offered 350 tracts, mostly in northeastern Arizona, and received bids on 108 tracts. The high bid was $365.13 per acre, total bonus $1,300,000.00, for an average of $14.08 per acre.

The meeting with the Navajo Indians on October 28th went well. As there were no specific items for discussion, mutual problems were put forth.

Their spirit of cooperation is excellent and we, of course, expressed the desire and intention to cooperate on our part. In general, I feel that the meeting was well worth while.

Mr. Scurlock and I visited the University in Tucson and met with Dean Forrester. The Dean requested and invited the Commission to meet at the University sometime this coming summer. We were able to secure some valuable geological maps and other information from the Bureau of Mines and University sources. It is my feeling that cooperation between the University, Bureau of Mines, the Land Department, etc., should be fostered whenever possible.

The December meeting of the Interstate Oil Compact Commission will be in Biloxi, Miss., on December 10 through 12. Reservations have been made for Senator Lockhart, Mr. Scurlock, and me. Any other Commissioner desiring to attend please notify me as soon as possible.

I think some thought should be given to the Arizona appointments to the Interstate Oil Compact Commission committees for the coming year. I feel it would be a sound idea to consider industry members, not associated with the Commission, for some of the appointments.

Permits issued since last reporting:

283: Tenneco Oil Company Navajo #8351-1, SE/4SW/4, Section 24, T38N, R193, Navajo County

284: Eastern Petroleum Co. Santa Fe Fee #24, SE/4NW/4, S24-T20N-R27#, Apache County

285: Harless Federal #36C, NE/4NW/4, S3-T17N-R4E, Yavapai County

286: Applied for and abandoned. Wilson-Verde Valley Federal #1, SE/4SE/4, S36-T18N-R3E, Yavapai County

287: Walker Bros. Oil Co. Paulsell #1, NE/4SW/4, S7-T18N-R26E, Apache County

288: Walker Bros. Oil Co. State #1, SW/4NE/4, S10-T18N-R25E, Apache County

289: Eastern Petroleum Santa Fe Fee #25, NE/4SW/4, S26-T20N-R27E, Apache County

290: Occidental Petroleum Corp. Monument-Navajo #1, NW/4SW/4, S12-T41N-R22E, Apache County

291: Taubert & Steed Babbit Bros. Fee #1, NE/4NE/4, S35-T14N-R19E, Navajo County

292: Superior Oil Co. Navajo 'V' 2212, NW/4NW/4, S27-T39N-R23E, Apache County

293: Yucca Petroleum Crary Fee #1, NE/4SW/4, S5-T17N-R4E, Yavapai County

294: Vernon & Barrett Development Co. State #1, center of Section 28, T17N, R25E, Apache County

295: Great Western Drilling Co. El Paso Navajo #2, NE/4NE/4, S17-T41N-R25E, Apache County

296: Eastern Spurlock-Reese Fee #1, SE/4SW/4, S23-T20N-R26E, Apache County

297: Amerada Petroleum Corp. Navajo #1, SE/4SE/4, S7-T39N-R24E, Apache County

298: Blackburn Navajo #35-1, NW/4NW/4, S35-T37N-R29E, Apache County

299: Duncan El Paso Navajo E1, SE4/SE/4, S13-T41N-R30E, Apache County

300: Blackburn Navajo #6-1, NW/4NW/4, S6-T36N-R28E, Apache County

301: Ferrin State #1, NE/4SW/4, S10-T19N-R17E, Navajo County

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November 17, 1964

Memo to: Commissioners
From: James R. Scurlock, Geologist

Re: Report of Activities

Walker-Neer has taken their rig from the Harless Federal 36C and threatens to take the rig from the Harless 27B.

We have never been able to ascertain whether any of these Harless wells have had a legitimate show of oil; but, a chemical analysis of an oil sample supposedly produced from the #9 (the first well) showed that the oil definitely is not crude. It appears that Mr. Newton, a convicted swindler, may be perpetrating another swindle on his associates.

Mr. Jay shields, a California operator, is currently trying to raise money for still another test in the area northeast of Harless.

The Yucca Petroleum Company well, which encountered no shows, was turned over as a water well. This well off-set the Harless wells.

The Occidental Petroleum Corporation Monument-Navajo #1 well is being plugged and abandoned.

Mr. Bannister and I have been taking some short trips around the State in order to orient geologically. These trips are proving of great benefit to me and greatly increasing my knowledge of Arizona.

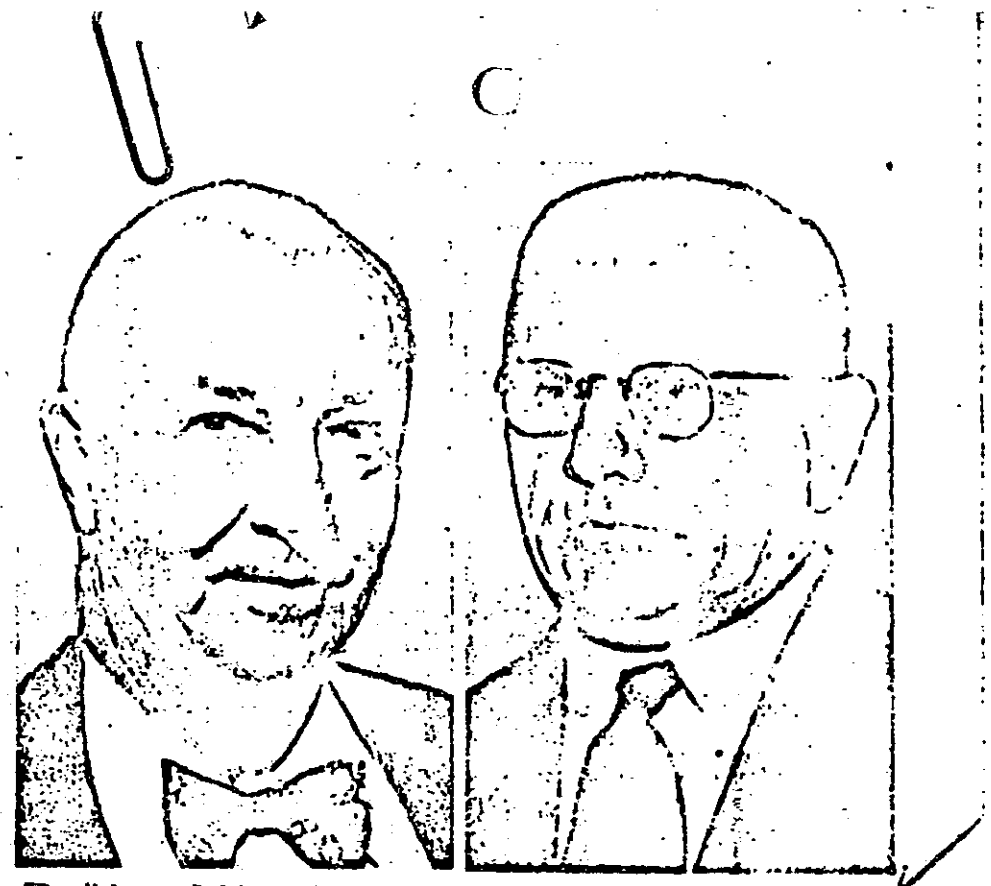
STATEMENT OF LEDGER TRANSACTIONS
OCTOBER 1964

	Expenditures To Date	Outstanding Encumbrances	Expenditures Oct. 1964	Appropriation	Unencumbered Balance
Personal Services: Staff			$ 2,200.00		
Commissioners					
TOTAL	$ 9,200.00		$ 2,200.00	$14,500.00*	$ 5,300.00
Current Expenditures-Other					
Telephone (Oct. 15 billing)			134.14		
Publication Hearing Notices			118.14		
Printed Forms			572.04		
Miscellaneous: supplies, recording tapes, business cards, blueprints		50.00	107.10		
TOTAL	$ 2,268.19	$ 50.00	$ 931.42	$ 3,175.00**	$ 856.81
TOTAL Subscription & Organization Dues	38.00		2.50	$ 150.00	$ 112.00
Travel-State: Staff		300.00	59.80		
Commissioners		375.00			
Gasoline, oil			57.81		
TOTAL	$ 721.87	675.00	$ 117.61	$ 5,000.00	$ 3,603.13
Travel-out of State					
TOTAL	$ 372.87	75.00	$ 43.08	$ 2,500.00	$ 2,052.13
TOTAL Capital Outlay-Equipment(camera)	617.69		$ 97.64	$ 685.00	$ 67.31
TOTAL Fixed Charges	$ 141.75		$ 30.00	$ 350.00	$ 208.25
TOTAL Professional Services	$ 82.20	160.00		$ 1,500.00	$ 1,257.80
TOTAL Museum of Northern Arizona	$ 1,250.00		625.00	$ 1,250.00*	
TOTAL Arizona Bureau of Mines	$ 1,250.00		625.00	$ 1,250.00*	
TOTAL	$15,942.57	$960.00	$ 4,672.25	$30,360.00	$13,457.43
LUMP SUM	$ 60.79		22.83	61.21	$ .42
RECEIPTS ($125.00)					$ 7,295.25

*Allotment through second quarter

From TRUE
Magazine

August, 1956



"Doodlebuggers" deluxe, Silas M. Newton (left) and partner Leo A. GeBauer, conned an amazing flock of suckers into buying non-producing oil leases.

945-2355

Maybe these con men didn't know a flying saucer from a hole in the ground. But they used both to sucker their victims. They were almost $400,000 ahead when TRUE's reporter broke the amazing case of the...

Flying Saucer Swindlers

By J. P. CAHN

DENVER

Back in 1952, the September issue of TRUE ran a story of mine titled *The Flying Saucers and the Mysterious Little Men.* It was an exposé of a best-selling book that maintained flying saucers from Venus, manned by 5-foot characters in blue suits, had landed on earth. Despite solemn pictures by both the author and publisher, the book was a complete hoax. I rounded up proof that the little-men-from-Venus yarn was as phony as a headwaiter's bow and smile.

Digging into the story of the bogus flying saucers, I learned that two men—Silas M. Newton and Leo A. GeBauer—had manufactured the hoax and foisted it off on a gullible author. When we broke the story, TRUE and I had some pretty good ideas why Newton and GeBauer had dreamed up their yarn, but we couldn't prove our suspicions. And what you can't prove you don't print. So we said what we could, and hoped for the rest. Thanks to TRUE's vast readership, we got the new leads we were hoping for, and now we can give you the wrap-up story on as slippery a pair of swindlers as ever came down the pike.

It happened like this:

As we had suspected, while chasing the flying saucer story to earth, Newton and GeBauer were more than a couple of fun-loving pranksters. Newton had a record that went back to 1931. It started with an arrest for conspiracy in Montclair, New Jersey, and worked his way through grand lar

tery, false stock statements, and interstate transportation of stolen property. He had never been brought to trial on any of these charges, but he hadn't been bucking for Eagle Scout for the last 20 years either. Newton happened to be a man with a flair for getting off the hook.

Gellauer had a suspended sentence for violation of the Federal Housing Act.

It was a pretty safe bet that this pair wouldn't have taken time and trouble to pull off the flying saucer bit—complete with "pieces of the saucers"—if there hadn't been a pay-off for them. The pay-off was simple, we found.

Newton and Gellauer were "doodlebuggers," a term used in the oil industry for men with mysterious devices of one sort or another that are supposed to locate oil.

Newton, the front man for the team, was a doodlebugger deluxe. He set up the Newton Oil Company with offices in Denver, traveled in the right circles, maintained a lavish suite at the Brown Palace Hotel, and drove only a Cadillac. His golf game was good; at one time he was amateur champion of Colorado.

Newton's contribution to the art of doodlebugging was based on the principle that people are inclined to believe what they see in print. As president of the Newton Oil Company, he would persuade petroleum trade publications to print articles he wrote. These invariably contained one of Newton's own geophysical theories couched in elaborate, pseudo-scientific double talk.

Newton used the articles as convincers. He would line up a prospect, usually like as the floor show of the Gallatin, the offices of the Newton Oil Company, the suite at the Brown Palace and at some point casually hand him the most recent article by that renowned authority on geophysics, Silas M. Newton.

After that, when Newton's doodlebug indicated the presence of oil on a piece of property, it wasn't hard to believe there was a fortune underfoot. Newton conned an amazing number of suckers into buying oil leases on some of the most secretary in the country.

But the technique had its limitations. The only magazines that would print Newton's articles were trade publications. Oil men who thumbed through them shrugged off Newton's weird geophysical double talk as the scribblings of an eccentric.

What Newton needed was some method of presenting his theories to large numbers of people who knew nothing about oil. If he could manage that, he'd have his prospects coming to *him*.

The idea about the flying saucers was the answer.

Si Newton is the kind of salesman who could peddle a steam calliope to a funeral parlor. The story he palmed off on the man who actually wrote the book set Newton up as a world-famous geophysicist and multimillionaire. It gave him a perfect background to operate from.

The flying saucer yarn was built. When you got through reading the book, you might still have your doubts about the saucers, but you believed Newton was a genius when it came to locating oil—unless you happened to know something about the subject. And Newton wasn't interested in people who knew anything about oil.

Gellauer, Newton's side-kick, appeared in the book merely as "Dr. Gee," the mysterious and mysterious electronic wizard who had metamorphosed submarine locating devices for the government. He was now supposed to be on Newton's payroll, developing oil-locating instruments.

The idea was just fantastic enough to become a best seller. With acres in the letters (*Continued on page 69*)

Millionaire manufacturer Herman Finder (left) and Dr. A. D. Kleptomer both paid through the nose to learn that gobbledygook double talk as this was mere nonsense.

Eventually Herman Finder was taken for over $[illegible]. Here author Cohn examines some of Newton—Finder's concocted checks and his correspondence with the top men.

Flying Saucer Swindlers

[*Continued from page 37*]

that came in to the author, Newton was able to build up a sucker list that was a con man's dream.

Officially, the law couldn't do anything about Newton until someone filed a complaint. And there were no complaints. It takes a lot of character to admit publicly you've been taken for a sucker—and that's the best protection a con man has.

What I needed was someone who had been clipped by Newton and GeBauer and wasn't afraid to admit it. With the help of the editors of TRUE, I put as much of Newton and GeBauer's background as I could prove into *The Flying Saucers and the Mysterious Little Men*, hoping some reader would turn up the lead we needed.

We hit the jackpot with the first letter that came in.

It was from a Mr. A. J. C. Bernard who enclosed a want ad clipped from a Los Angeles newspaper. The ad read:

> "URGENT NOTICE—All persons having dealings with SILAS M. NEWTON, NEWTON OIL CO., formerly of Denver, Colorado, New York, Illinois, Wyoming, Calif., Ariz., etc. relative to oil investments, 'Cosmic Rays,' and/or 'Flying Saucers,' kindly contact Box M5743 by letter or wire. THIS IS MOST URGENT."

I wired.

While I sweated out the answer the mail poured in from all over the country, confirming what we already knew about Newton and GeBauer: that individually, or as a team, they had been hawking phony stock and fake machines in a dozen states for the last 25 years. But in all the letters, there wasn't one that looked like it might turn into a valid complaint.

I was still waiting for an answer to my wire when I got two phone calls. One was from a man named Flader in Denver. The other was from a Herman Corsini in Phoenix, Arizona. Both men had had Newton-GeBauer trouble. The answer to my wire, when it came, was also from Denver, surprisingly enough. A Dr. Kleyhauer there had been placing the ads in newspapers all over the country. He wondered if I could come and see him immediately.

Since it appeared that it was going to be a Denver story, I made arrangements with the Denver *Post* to work on it for them on special assignment.

Dr. Kleyhauer turned out to be a small-looking optometrist who had been clipped by Newton for $9,000 on the strength of an oil-locating machine Newton had. It was exactly what I wanted—except for one thing. There is a legal time limit on filing complaints. It's fixed by a law called the statute of limitations, and in a case like this one, if you're going to file a complaint, you've got to do it within three years of the date of the last transaction. Thanks to Newton's glib tongue, the statute had run out on any case Dr. Kleyhauer might have had.

The doctor knew it, but he had kept right on running those ads in the hope he could keep Newton from clipping somebody else. Kleyhauer knew Flader, my other Denver lead; Flader had answered one of the doctor's ads.

"You ought to talk to him," Kleyhauer said. "I understand he lost quite a piece of money to Newton, some of it as recently as the fall of 1949."

It was now September 12, 1952. If Flader had a case, the three-year statute might run out any minute—if it hadn't lapsed already. I had to get busy fast.

I went out to see Herman Flader at his Stayput Clamp and Coupling factory, an impressive two-story glass brick and tile structure on the edge of Denver. Meeting him was quite a shock. From the research I'd done on Flader—a millionaire who'd invented and now manufactured a wire clamp used to attach hose to pipe—I expected the man to look something like the Hollywood version of a tycoon. Instead I found a man wearing baggy, oil-stained suntans, a work shirt and a pair of shoes the Salvation Army would have thought twice about accepting. Flader is in his late 60's; his gray hair is cropped close. Only in the thrust of his jaw was there anything to indicate that this man was the boss.

Herman Flader arrived in this country before World War I. His assets consisted of a mechanical talent bordering on genius and a pair of hands with an uncanny facility with machinery. He calls his hands his "mallets."

The mallets kept clenching and unclenching while he told me about Newton and GeBauer. Flader's story was a classic example of the old con game known as "the cross fire." Early in 1949 he met GeBauer through some smalltime oil operators. They gave him the old routine about GeBauer being a topflight ex-government scientist who had developed a fabulous electronic device for locating oil.

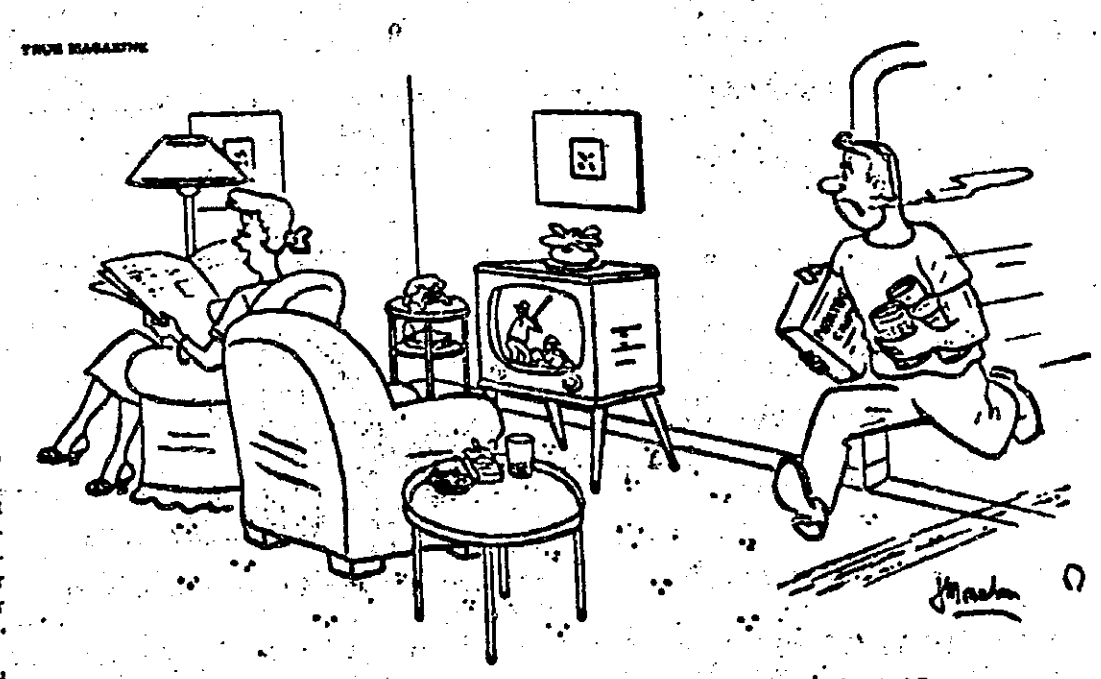
When GeBauer turned up at Flader's, he had his machine with him, a metal box about 18 inches square with antennae protruding from either end. The antennae were tipped with small metal balls about the size of marbles. These, GeBauer confided, were plutonium and worth $5,000 apiece. One side of the box was covered with dials, knobs and small lights.

GeBauer didn't tell Flader what the box could do. He showed him. Flader had recently dug five water wells on one of his ranches. Just by twirling the machine's dials until the lights lit, GeBauer located each well and read its exact depth. A couple of times a red light on the machine flared and GeBauer announced they were over oil, reeling off the precise depth of the deposit. It was an impressive demonstration.

Flader wasn't one to be taken in so easily. Having memorized the readings, he zigged and zagged so he managed to drive GeBauer over the same spot a couple of times. Each time the reading was exactly the same.

"Old Betsy," GeBauer's pet name for his machine, was apparently infallible. It never occurred to Flader that GeBauer could have found out the depths of his water wells in advance.

When Flader tried to buy "Old Betsy," it was not for sale. The machine, according to GeBauer, was a version of a submarine detector he had developed for the government and was, in fact, U.S.



"Somebody cleaned off the bases while the umpire was knocked."

Government property. However, Gelbauer would be glad to do some extensive surveys of Flader's land as soon as he got the chance.

By coincidence, the next fascinating character to enter Herman Flader's life was Silas Newton, the president of the Newton Oil Company. When Newton turned up, oil was apparently the furthest thing from his mind: he wanted a few treatments for his arthritis. Flader had rigged up an electrical gadget in his shop that he felt was beneficial to a number of ailments including arthritis. He didn't charge anything for the use of the machine, nor did he solicit any business.

Newton and Flader's conversation led from one thing to another and finally wound up with—you guessed it—oil.

When Flader told Newton about Gelbauer and his miraculous machine, Newton laughed. In his years in the oil fields, he'd seen thousands of oil-divining machines. All of them, with one notable exception, were worthless doodlebugs. The exception was a machine Newton now had, a device built for him by a great physicist at a cost of $800,000.

It wasn't long before Flader and Newton were out testing Newton's machine, a great gleaming dial-studded affair in a handsome mahogany box. When Gelbauer and "Old Betsy" also turned up one day, considerable technical dicussion led to a field test between the two machines.

In the course of the tests, Gelbauer revealed—confidentially, of course—that "Old Betsy" operated on the same magnetic principles as the flying saucers. As a matter of fact, he added casually, when the first saucer had landed on earth, he had been called into consultation by the government because of his outstanding work in the field of magnetics.

The result of the battle of the doodlebugs was that Silas Newton, president of the Newton Oil Company, had to admit humbly that Flader had found a scientist with an oil-locating device far superior to the one he had paid $800,000 for. And not only could "Old Betsy" locate oil, gas and water: by taking a firm grip on her plutonium-tipped antennae, Gelbauer could give you a reading on the state of your health.

Caught in the cross fire between Newton and Gelbauer, Flader was sold.

He bought a sister machine to "Old Betsy" for $4,000 and then set up the Colorado Geophysical and Development Company, Inc., so he and Gelbauer could realize the full financial advantages of Gelbauer's equipment.

Ultimately, Flader paid Gelbauer $28,552.30 for one-half interest in three more machines. One of them, in the hands of the master, Gelbauer, could take what Gelbauer liked to call an underground photograph—a chart-like affair that showed exactly where the oil was. The only hitch was that every time Gelbauer made one of these photographs, one of the tubes in the machine had to be exploded—at a replacement cost of $517.

Gelbauer was a little leary of letting Flader have the machines. He told Flader that their circuits were so secret the government had insisted he put demolition charges in each machine. Gelbauer was concerned about his new friend and business associate. If Flader so much as tried to peek inside the machines, he would be blown to bits.

Flader promised not to peek.

He insisted, however, that Gelbauer show him how to operate the machines. Gelbauer obliged with a set of instructions that might have been lifted out of the cabala.

The Colorado Geophysical and Development Company was an interesting business venture. With a few exceptions, its clients for whom Gelbauer did geophysical surveys were friends of Flader's who had known and trusted him for years. Flader also supplied all the capital in the company.

All the income, however, was immediately drawn out by Gelbauer who was always a little short on his plutonium payments or something equally as important.

Newton wasn't part of the Colorado Geophysical Company—except as a kind of non-paying client. He had some property up on Dutton Creek in Wyoming that he felt was practically oozing oil. Gelbauer zipped up there with his machines and tuned in more oil than even Newton had dreamed existed.

Flader was allowed to put up some capital and provide drilling equipment. Dutton Creek eventually cost him $152,000.

In the middle of the Dutton Creek operation, Newton sold Flader an oil lease near Newhall, California, for a piddling $1,500 and began hinting that Gelbauer and "Old Betsy" had tuned in on one of the most tremendous oil fields on earth just outside Mojave, California. When Gelbauer was sure of his data, Flader was cut in. It ultimately cost him $49,400.

All told, Newton and Gelbauer drained $231,452.30 out of Flader before they were through with him, and they didn't produce as much oil as you can wipe off the mainspring of your wristwatch.

When Flader began to show signs of being disillusioned, Newton and Gelbauer poured on the double talk and got out of range. The Newton Oil Company in Denver closed its doors. Herman Flader decided all he could do was write it off to experience.

For a minute right after he finished his story, Flader looked like a tired, old man.

"How could a man who knows as much about machinery as you do, fall for a deal that was built on phony machines that didn't work?" I asked.

"When I build a man a machine," he snapped, "it works. I never thought that the other fellow wouldn't do the same."

I asked Flader if he could prove the story he told me. He produced a pack of canceled checks, every one of them endorsed by Newton or Gelbauer. Then he dragged out a pair of black boxes with dials on them.

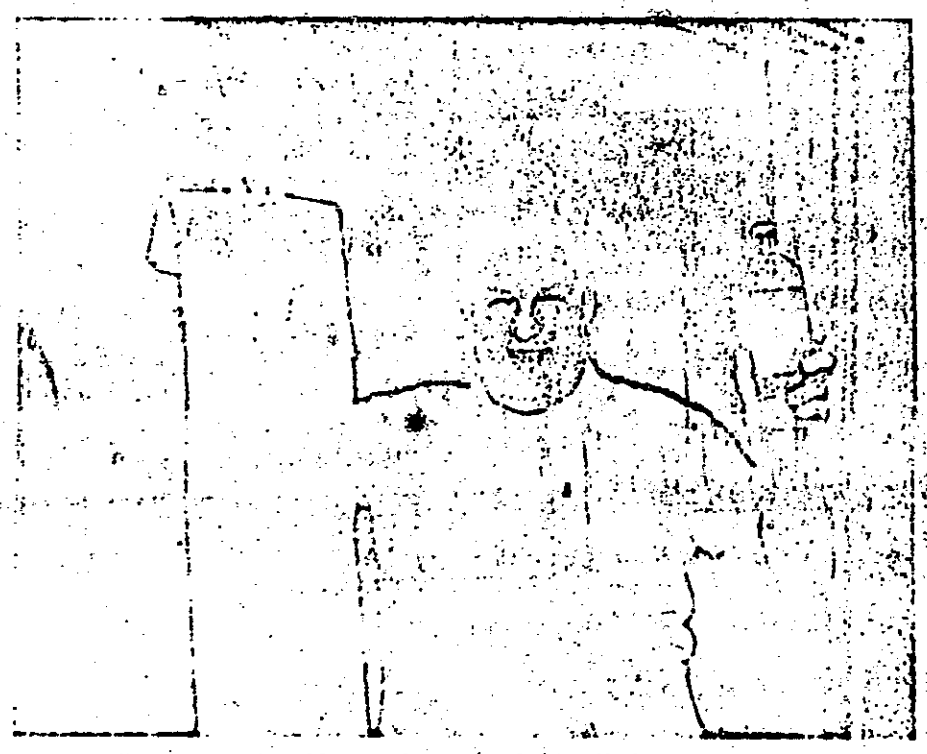
"These are Gelbauer's machines. Look here."

Inside one of the boxes was a small battery.

"Here's the joker that wrecked the rights. It wasn't plutonium—just this little battery. I got tired of waiting and pried the damn thing open one day. That business about dynamite was just more of Gelbauer's lies. This is what I found, a little 20-cent battery that cost me all that money."

The machines turned out to be the tuning units of U.S. Army radio transmitters. They still had the Signal Corps identification plates on them.

I checked through the dates on the canceled checks. Flader's case was within the three-year statute—just.



Herman Cozzan, another Newton-Gelbauer victim, displays the oil samples and "underground" photograph which convinced him he was buying into a good thing.

There was just one more question, but it was the big one. "Would you file a complaint, Mr. Flader, even if it meant admitting publicly you'd been taken for a sucker?"

The mallets began working again. "I'll do anything if it helps stop Newton and GeBauer."

We went to see the Denver D.A.—Bert Keating. He listened to Flader's story, and charted a plan of action. Witnesses had to be located and the actual site of Flader's leases in the Mojave had to be pinned down. Flader had never seen the operation that had cost him nearly $50,000 and the D.A.'s office wanted to know what really happened out there. Since I was going to check in both Phoenix and Mojave, I agreed to do a little unofficial leg work. The assignment was to gather as much information as possible without tipping Newton or GeBauer that an investigation was under way.

Herman Corsun, the man who had telephoned me in San Francisco, met me at the Phoenix airport. Corsun, the proprietor of a delicatessen, apparently was given to sampling his wares. He stands 6' 3" and weighs 285. At his place, between mouthfuls of four-layer pastrami sandwiches, he told me his story.

It was the same old routine—flying saucers and super-secret government instruments converted to locate oil. The only difference was that GeBauer had conducted this little foray on his own. Corsun had only seen Newton once when GeBauer had introduced him as a multi-millionaire oil associate.

Corsun paid GeBauer $3,350 for a nebulous oil lease near Casper, Wyoming. For this investment, GeBauer gave him a couple of jugs of oil, supposedly samples from the well, one of his $517 underground photographs, (valued for Corsun's benefit at $1,500) and a trip to Casper during which GeBauer waved a lordly hand at an oil storage tank and announced grandly, "That tank is yours, Herman!"

Corsun never did find out who owned the tank. The only thing he's sure of now is that it wasn't his, or GeBauer's either.

Corsun was boiling mad and ready to have his attorney take action against GeBauer. Which was exactly what the Denver D.A. was afraid of. The Denver case, if it worked out, stood a good chance of putting two con men out of circulation. Corsun's case only involved one. The Denver case involved enough money so it would be almost impossible for Newton and GeBauer to raise the cash to repay Flader and quash the suit. Corsun's case involved only $3,350.

One fumble out of Corsun would set Newton and GeBauer to inspecting all their fences. They would certainly find out what was going on in Denver. If that happened before Keating and his office had all the information they needed, there was a good chance Newton and GeBauer could so thoroughly cover up their tracks the Denver case never would come to trial.

I asked Corsun if he was willing to postpone his complaint until the Denver case was set.

"You're sure you don't mind hearing about my symptoms, Doctor?"

It was a tough decision for him. If he hit GeBauer right then, his $3,350 was as good as back in his pocket. If he waited, there was no telling when he'd collect.

Finally Herman Corsun nodded. He agreed to wait.

Two days later I was in California, checking at the Mojave lease sites. I located a Slim Appleby who had worked as a driller for Newton. Appleby—a tall, windburned man—has a reputation for being on the level. Although he only worked for Newton for wages, he regrets the association.

"This country's been surveyed by experts," Slim said. "It's full of test holes. Old ones. Anybody who knows anything about this desert knows that a few hundred feet down there's a layer of granite that runs for miles. And here we were drilling right into the middle of it. That's what I couldn't understand about those fellows."

Appleby had heard the flying-saucer story, too, the identical story Flader had been told. He had seen Dr. GeBauer and his machines, and hadn't thought much of them: he'd been around oil fields too long.

Appleby wasn't impressed with Newton's drilling either. Under Newton's supervision, they lost their drilling tools down the hole, and occasionally, thanks to cave-ins, lost the hole itself. As Appleby put it, "At one time or another, we had everything down that hole but the rig itself. Everything, that is, but oil."

At least I knew Newton had actually done some drilling. I had scout reports, so I knew when and how deep. I knew where the holes were and I knew how to get in touch with Slim if he were needed for a witness.

That night I was back in Phoenix on my way to Denver. I checked to see how Herman Corsun was holding up. He was still sitting tight, but I could see the strain was awful.

Our time was running pretty short. On Friday, October 10, charges were quietly filed in Denver's Justice of the Peace Court instead of the District Court where they would normally have been filed. Warrants were issued for the arrest of Newton and GeBauer. By filing in an out-of-the-way court there was a chance the charges wouldn't be spotted before Newton and GeBauer could be picked up.

For three days investigators from the D.A.'s office quietly checked with police departments all over the West, trying to locate Newton and GeBauer without alarming them. It was a tough assignment.

About 9:30 on the morning of the 14th, an attorney strolled into the District Court and asked if there were any charges filed against Newton. Obviously, someone had got wind of what was up.

But a few minutes later the FBI, up to this point not very enthusiastic about the Newton-GeBauer case, had received authorization from the U.S. Attorney's office to file charges.

"Denverite 'Saucer Scientist' Charged in $50,000 Fraud," was the headline on the Denver *Post* for all editions.

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[illegible] trial was postponed more times [illegible] of the bearded lady, [illegible] and Gelbauer, out on bail, wer[illegible] as many irate citizens as they [illegible] by returning their boat. Herman [illegible], for example, wound up by getting $2,500 and a couple of 17-inch TV sets. The boys paid off with anything they could get their hands on.

The day after the story broke, there were [illegible] suits against Newton totaling over $[illegible]7,700. They included everything from failure to pay for drilling equipment to a claim for a year's back rent from his landlady.

By now I had been able to figure out why Newton and Gelbauer had gone to all the expense of drilling a pair of holes into solid granite. All the leases Newton and Gelbauer peddled in the Mojave were carefully described by section, township and range. But out in the desert itself, it's pretty hard to pin-point any given location unless you know exactly what you're about. None of the Newton-Gelbauer clientele did.

If a sucker who had already felt the [illegible] needed assurance his money was [illegible] being spent for drilling, he could [illegible] by the sight of the rig chugging away out in the sage brush. If the location described on his lease happened to be five miles away, how could he tell?

For two years Newton and Gelbauer [illegible] that pair of tired holes in the granite as window trimming. And a good thing they were in granite too. If they had ever struck oil and all the lease holders who thought they owned a piece of those wells turned up at once, the doodlebuggers would have been trampled to death in the rush.

Once a sucker had been taken, Newton and Gelbauer cooled his fervor with sad stories of collapsed casings, expensive cement jobs and any number of costly mechanical horrors. If that didn't work and a client showed signs of becoming belligerent, he was promised an interest in a sure-fire field in another part of the country, Kansas or Wyoming, anywhere sufficiently inaccessible. And then the cooling-off process started all over again until the sucker finally gave up in despair.

[illegible] October 10, 1953, a year and a [illegible] they were arrested, Newton [illegible] Gelbauer were brought to trial in [illegible] District Court in Denver. The charges: conducting a confidence game and conspiracy to commit a confidence game.

Herman Flader, the state's first witness, was on the stand for almost a week. He told the court the same story he had told [illegible] flying saucers and all. And he stuck [illegible] through four solid days of rugged cross-examination.

The slugging began in earnest when [illegible] Hill, the professional archer who [illegible] brought to Denver as a witness for [illegible], was snagged by the defense [illegible] maneuver. Hill wound [illegible] that Gelbauer's doodlebug [illegible] accurately located a tank of fuel oil [illegible] his back yard.

District Attorney Keating evened it up when the defense produced a photostatic copy of an agreement between Flader and Gelbauer bearing a date that would put the case outside the three-year statute. Keating produced the original document, stated that the date on the photostat had been altered and called in a handwriting expert who flatly testified the defense photostat was, "just a plain forgery."

An electronics expert appeared for the state. With the help of a new battery he got Gelbauer's apparatus to indicate oil under the court room. Under oath, he then identified the machine as a surplus radio-transmitting tuning unit that "couldn't indicate the presence of anything."

The district attorney produced a doodlebug of his own, identical to one Gelbauer sold Flader for $18,500. Only Keating got his at a more reasonable rate—$3.50 at a local surplus store.

The trial was delayed a week when Gelbauer, genuinely ill, was unable to appear. When he returned in a wheel chair, he was accompanied by a nurse who spooned medicine into him so regularly that the judge was moved to suggest Gelbauer receive his medication in the hallway, out of the jury's sight. He took his medicine in the hall all right, but at the exact moment the jury was filing by.

Newton distinguished himself in testimony by being unable to recall whether

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IN NEXT MONTH'S TRUE

With Germany's secret weapon poised to destroy England, espionage agents race to solve the war's deadliest puzzle.

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he owned five or seven Cadillacs between 1945 and 1949 and then got into a corner where he had to admit he hadn't paid an income tax in 12 years. The next day a gentleman from the Bureau of Internal Revenue quietly joined the spectators at the trial.

Gelbauer took the stand and explained he had spent six months in the arctic regions studying the northern lights and that his oil-divining instruments were powered by the same magnetic energy that causes the aurora borealis. But when Gelbauer tried to explain his scientific theories and the defense wheeled in a huge doodlebug to substantiate his statements, the trial turned into a complete rout.

District Attorney Keating produced a scholarly geophysicist from the Colorado School of Mines who calmly dismantled Gelbauer's machines and his theories along with them.

The jury arrived at its verdict in less than five hours. They found both defendants guilty on both charges. Newton and Gelbauer faced maximum sentences of 30 years in prison.

On April 12, 1954, their motion for a new trial was denied, whereupon both Newton and Gelbauer applied for probation. It was granted June 20, the terms being that Newton and Gelbauer make restitution to Flader and pay court costs. Still, the con men were to get up $[illegible]186.77, starting with an immediate cash payment of $3,000 and a percentage of their incomes thereafter until the full amount was paid.

Newton claimed he didn't have a cent. Gelbauer scraped up the $3,000 cash for both of them and dutifully began making small payments to Flader. Not Newton.

On February 7, 1955, less than a year after he was put on probation, Newton made the front pages in Denver again—this time for hawking $14,900 worth of stock certificates in a Utah uranium claim known as the Tennessee Queen. Eight residents of Denver charged the Queen wasn't the bountiful lady Newton claimed.

A summons was issued for Newton but attorneys who tried to have it served ran into a snag. Although Newton is required to report to Denver's probation officers each month, the process servers were somehow unable to locate Newton to hand him the summons.

It was found that Newton was permitted to report by mail instead of making a monthly trip from Utah to Denver, on the theory that the more time Newton could spend at the Queen the more chance he had of making some money and thus repaying what he conned out of Herman Flader.

But, two years after his conviction, Newton had as yet to make his first payment. His excuse was that he had no income. He claims all he got for promoting the Queen was an expense account. Since the terms of his probation only require him to pay a percentage of his income—no income, no payments.

At least Newton is consistent. Although it is possible he may have filed elsewhere, the records of the Department of Internal Revenue office in Denver fail to show any income-tax returns filed in 1954 by Newton, the Newton Oil Company or the Tennessee Queen either, for that matter.

As one probation officer succinctly put it, "Newton isn't an ordinary con man. I've been hoping the SEC would grab him. I told them all about his new stock deal a long time ago. I figure now it's up to them."

The Securities and Exchange Commission whose function, among other things, is to scan the sales of new securities for possible violation of the federal law, is conveniently inscrutable behind a lattice of red tape. Silas Newton is at least listed in the securities-violation files of the SEC district office in Denver. However, the most recent entry on his card is dated June 15, 1955. A placid SEC official assured me that any time his office wanted to spring into action he could apply to Washington for more current violations. Aside from that, no information is available to the public. The SEC may be [illegible] some action against Newton and again they may not.

The fact is that since he was convicted no one has done anything to stop Si Newton in what at least eight people in Denver consider to be a one-man crusade to prove Barnum was right.—J. [illegible] Cal[illegible]