CIRCULAR No. 16
OF THE
RECONSTRUCTION
FINANCE CORPORATION

INFORMATION REGARDING LOANS TO INCORPORATED MANAGING AGENCIES OF FARMERS' COOPERATIVE MINERAL RIGHTS POOLS UNDER THE PROVISIONS OF SECTION 13 OF THE ACT RELATING TO DIRECT LOANS FOR INDUSTRIAL PURPOSES, APPROVED JUNE 19, 1934 (PUBLIC, No. 417, 73D CONGRESS)

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UNITED STATES
GOVERNMENT PRINTING OFFICE
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INFORMATION REGARDING LOANS TO MANAGING AGENCIES OF FARMERS’ COOPERATIVE MINERAL RIGHTS POOLS

The Reconstruction Finance Corporation has been authorized to make loans to recognized and established incorporated managing agencies of Farmers’ Cooperative Mineral Rights Pools under the provisions of Section 13 of the Act relating to direct loans for industrial purposes, Public, No. 417, 73d Congress, approved June 19, 1934, which reads as follows:

Sec. 13. The Reconstruction Finance Corporation is authorized and empowered to make loans upon full and adequate security, based on mineral acreage, to recognized and established incorporated managing agencies of Farmers’ Cooperative Mineral Rights Pools not engaged in drilling or mining operations, said loans to be made for the purpose of defraying the cost of organizing such pools.

1. ELIGIBLE BORROWERS

(a) Loans will be made only to Managing Agencies, and will not be made to Farmers’ Cooperative Mineral Rights Pools.

(b) Loans will be made only to “recognized and established” Incorporated Managing Agencies. Such agencies are those that have been incorporated and established in advance of the filing of the application and have carried on operations in a manner and to an extent as to have obtained recognition in the business world.

2. TERMS AND CONDITIONS OF LOANS

(a) Security.—All loans will be made upon “full and adequate security, based on mineral acreage.” Additional security, not based upon mineral acreage, may also be required. Mineral acreage as used herein shall be taken to mean the surface measurement of an area which has satisfactory indications of containing oil and/or gas or other minerals.

(b) Purposes.—Loans will be made only for the purpose of defraying the costs of organizing such pools.

(c) Amounts.—Loans will be authorized for such amounts as the Corporation may determine, not exceeding an amount reasonably required to defray organization costs.

(d) Disbursements.—Loans will be disbursed in installments as required to defray organization costs upon presentation of satisfactory vouchers showing use and application of previous disbursements and requisitions showing proposed use and application of additional disbursement.

(e) Maturities.—Loans will be made for such a period of time as the Corporation will in each instance determine.
(f) Interest.—Interest will be determined in each case by the Corporation, and will probably not exceed six percent.

(g) Charges, Commissions, Bonuses, Fees, etc.—Payment of bonuses, fees, or commissions for the purpose of, or in connection with, obtaining loans is prohibited. The borrower, however, subject to the prior approval of the Corporation, may be allowed to pay the actual reasonable costs incurred in the making of the loan. Such charges may include reasonable compensation for services rendered by attorneys, appraisers, accountants, etc., but not in any event for alleged services in connection with the presentation of the application to the Corporation. Such charges must be fully disclosed. A fee based upon a percentage of the loans will be objected to, as also will fees or charges made contingent upon the obtaining of the loan. Applicants will be required to furnish satisfactory proof in the application that no bonus, fee, or commission has been or will be paid, and that no compensation, other than reasonable compensation for services required in making the loan, fully disclosed and itemized, has been or will be paid.

(h) Salaries.—The applicant must agree that, so long as any portion of the loan remains unpaid, it will not pay any salaries which are not deemed by the Corporation to be reasonable.

(i) Dividends.—So long as any portion of the loan remains outstanding, no dividends may be paid by the Borrower without the consent of the Corporation.

(j) Deposit to Cover Cost of Examination.—The applicant will be required, if the Corporation so requests, to make a deposit, in an amount to be determined in each case by the Corporation, to cover the cost of any field work which may be necessary in connection with the examination of the property of the applicant. Such examination will not be undertaken until the required deposit is made.

(k) Additional Terms and Conditions.—Such other terms, conditions, and restrictions as Reconstruction Finance Corporation may determine.

3. APPLICATIONS FOR LOANS

Applications should be made in writing to the Reconstruction Finance Corporation, at its office at 1825 H Street NW., Washington, D.C.

No printed forms of applications will be provided, but all applications shall present the information indicated below and shall follow the system of numbering and lettering indicated.

Each copy of the application and its accompanying exhibits should be firmly bound together, preferably in a single binder.

Five complete signed copies of each application, being one master copy and a copy for each of the sections of the Corporation concerned with its examination, should be filed.

Applications shall be signed by the President and Secretary of the applicant and, if prepared under the direction of any attorney, engineer, or geologist,
such fact shall be stated and such application must be approved by each such party.

Exhibits shall bear the signature of the party who prepared them.

Each application shall have attached thereto a certificate duly executed before a notary public by the President and Secretary of the applicant, certifying that such application is being filed for and on behalf of the applicant by such officers, first duly authorized, and that all of the statements in said application are true and correct to the best of the information, knowledge, and belief of said officers.

INFORMATION REQUIRED

1. General Information respecting Applicant:
   (a) Full legal title and address.
   (b) Date of organization.
   (c) Citation to or copy of Law under which organized.
   (d) Name, title, and address of each officer and director.
   (e) Name, title, and address of the person with whom correspondence should be conducted.
   (f) Names and addresses of Legal Counsel and Geologists.
   (g) Names of states in which Applicant is authorized to do business.
   (h) List of subsidiary and affiliated companies, separately setting forth names of same, where organized, names of officers, capitalization, and brief summary of relationship to each other and to Applicant.

2. Loan for which application is made:
   (a) Amount for which application is made.
   (b) Statement of funds required during the period of organization and the time when the same will be required.
   (c) Statement of necessity for the loan.
   (d) Proposed time of repayment of the loan.

3. Statement of the purpose of the Loan, including:
   (a) Description of the work to be done.
   (b) Time required to organize the pool.
      (1) When the work will be started.
      (2) When the pool will be completed.
      (3) When the pool will be self-sustaining.
   (c) Estimate of average number of men to be employed.

4. Summarized Total Costs of Organizing Proposed Pool or Pools, Sub-divided into:
   (a) Executive expense.
   (b) Legal expense.
   (c) Engineering and geological expense.
   (d) Other expenses.

5. Description of the Proposed Pool or Pools, including:
   (a) Location (state and county).
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(b) Number of Acres to be included.
(c) Geological structure.
(d) Distance to the nearest producing field and the geographical relation to other producing fields in the locality.
(e) History of the acreage, that is, whether mineral leases have been secured and allowed to lapse, and whether any drilling has been done on the acreage.
(f) Proposed plan of drilling and developing pool acreage including:
   (1) Time required to start development of the proposed pool acreage.
   (2) Allowable production limit for the state.
   (3) Employment requirements.
   (4) Estimated cost of development.
(g) Estimate of the number of individual owners to be brought into the pool and average number of acres owned by proposed members.
(h) Assessed value of the land to be included in the pool or pools and nature and extent of encumbrances against the land.
(i) Statement of any mineral rights in lands included in pool in possession of others than the proposed members of the pool.

6. Complete and detailed statement of the security which Applicant proposes to give, together with complete statement concerning the title of the Managing Agency to the proposed security, and statement of applicant that it deems such security to be full and adequate.

7. Brief description and history of the Applicant's present holdings, including in addition to such other information as the Applicant thinks necessary or desirable, the following:
(a) Statement of the number of mineral acres held by the Managing Agency under lease to operating companies, date when said lease was executed, date of expiration of the lease, bonus paid on said lease, royalty reserved thereunder, amount of delay rentals paid and payable thereunder, and short statement of drilling and operating requirements.
(b) Statement of the number of acres now held by the Managing Agency and producing oil and/or gas, together with a statement of the amount of revenue presently being received by the Managing Agency from
   (1) Royalty payments.
   (2) Lease rentals.
   (3) Other sources.
(c) Statement of the royalty and the average market worth of royalty:
   (1) Held by Farmers' Cooperative Pool.
   (2) Held by the Managing Agency.
   (3) Reserved and held by the individual owner.
(d) Statement of presently producing wells, giving:
   (1) Flush production or potential.
(2) Allowable production under proration, if it applies.
(3) Estimated ultimate production per acre.
(4) Number of acres per well.
(5) Average production per well.
(6) Method of production; that is, air lift, beam pumping, etc.
(7) Age of field.
(8) Percentage of water lifted.
(9) Depth of producing wells, number of producing horizons, size of casing and tubing, thickness and porosity of the sand.
(10) Gravity of the oil, present price received per barrel, average price for the past three years.

(e) Pipe-line connections and proration agreements as they apply to the several fields.

(f) List and summary of all operating agreements presently in effect between the Managing Agency and operating company or companies together with the names of the company or companies.

8. Statement of whether or not there is any litigation pending or threatened in which the Applicant is involved in any manner, and summary of such litigation, if any.

9. Exhibits (to be attached to application and give exhibit numbers as follows):
   Exhibit 1.—Certified copy of Articles of Incorporation and copy of the by-laws of the Applicant company.
   Exhibit 2.—Certified copy of Articles of Incorporation and copy of the By-Laws of the Farmers' Cooperative Mineral Rights Pools, with the names and addresses of their officers and directors.
   Exhibit 3.—Copy of contracts existing between the Farmers' Cooperative Pools and the Managing Agencies.
   Exhibit 4.—Copy of form of deed or lease to be executed by the farmer conveying a part or all of his mineral rights to the pool and to the Managing Agency, together with a copy of the power of attorney or contract to be executed by the farmer at the time of such conveyance.
   Exhibit 5.—Form of Mineral Deed under which mineral rights are held by the Managing Agency and by the Cooperative Pool.
   Exhibit 6.—Copies of proposed form of leases and royalty agreements to be entered into between Managing Agency and operating companies.
   Exhibit 7.—Copy of the opinion of counsel concerning the legal title to any of the property included in the mineral acreage, if any such opinion has been secured.
   Exhibit 8.—Balance sheet or statement of assets and liabilities as of the latest date available, together with a similar statement for the three years preceding the date of application, certified by the Fiscal Officer of the Agency.
   Exhibit 9.—Income account showing in reasonable detail items of income and expense for the period covering the three years prior to date of application, to be certified by the Fiscal Officer of the Agency.
Exhibit 10.—Copy of all reports available which have been made by reliable and recognized geologists and engineers concerning any of the land or territory in which Applicant has an interest.

Exhibit 11.—Plat of the proposed pool or pools.

Exhibit 12.—Plat showing all the mineral acreage presently held by the Managing Agency and by the Farmers’ Cooperative Pool.

Exhibit 13.—Map or plat of each oil and/or gas structure in which the Applicant has an interest showing producing wells.