

CHAIRMAN'S OFFICE  
MAILED

MAY 19 1961

Mr. Hugh D. Berry  
1322 So. E. Mill Street  
Roseburg, Oregon

Signed by: \_\_\_\_\_

Re: Umpqua Oil Corporation  
File No. 24S-1782

Dear Mr. Berry:

Your letter to President Kennedy, dated February 11, 1961, has been referred to this office for reply.

In your letter to the President, you object to the action of the Seattle Regional Office in refusing to permit you to send out to the public, in connection with your proposed sale of 400,000 shares of common stock offered under Regulation A, a picture of a burning gas flare and certain geological reports which you have available.

This office, as well as the Seattle Regional Office, has tried to keep you informed as to the reasons for the actions taken in this case since it was filed on August 31, 1960. As you were informed in our letter of December 21, 1960, the Commission is prohibited by Section 23 of the Securities Act of 1933 from passing upon the merits of or giving approval to any security. Therefore, all actions taken in connection with the case were for the purpose of having the filing meet the terms and conditions of Regulation A. You should realize that the exemption provided in the regulation is a conditional one and if such conditions are not met no exemption is available.

The geological report prepared by Mr. Conrad Martin of Reno, Nevada, which you proposed to include in your selling material, was examined by the Commission's Oil and Gas Engineer when the company first filed with the Commission. This material, under the circumstances of the proposed operations of the company, tended to be misleading in that (a) geological structure maps were not filed to

substantiate the conclusions reached in the report, although it is understood that such maps exist; (b) the report was so general that it had very little relevancy with respect to the company's proposed test well; and (c) the report referred to oil production in California, Texas and Louisiana, which has no direct bearing on the possibility of oil production in Oregon. Similarly, the report by Mr. Richard Thorpe was inadequate and did not support the geological conclusions set forth in the offering circular. It is especially important for the protection of investors to make sure a prospective investor realizes that he is purchasing an interest in a particular venture and not a general interest in the oil industry, as described generally in the geological reports.

In your letter you state that you should have been allowed to include in the offering circular a photograph showing a gas flame burning at the end of a section of pipe. In the examination process the staff considered the use of the picture and it was unable to conclude that a picture of a demonstrated but isolated experiment is either a helpful or reliable means by which investors may measure the investment merit of the venture. Use of the picture of the experiment which you mailed to President Kennedy would tend to be extremely misleading.

It should be noted that Section 3(b) of the Securities Act, which expressly authorizes the Commission to adopt rules to provide an exemption for filings of small issuers, specifically states that the public interest and the protection of investors are paramount considerations in the adoption of such rules. Therefore, the Commission in Regulation A prescribed the requirements for offering circulars and sales material in accordance with these paramount considerations. In processing your sales material, I assure you, the Seattle Regional Office and this office have been guided by these requirements.

This office and the Seattle Regional Office will be glad to answer any further questions you may have.

Very truly yours,

Patrick J. Griffin, Jr.  
Chief, Branch of Small Issues

PJG/aam

*Enclosure  
Picture*

cc: SRO