BIOGRAPHICAL SYNOPSIS OF INTERVIEWEE:

Former UTEP student and professor

SUMMARY OF INTERVIEW:

Speech on University of Texas Lands to the Westerners Club.

1 hour, 17 pages
Speech on University of Texas Lands to the Westerners Club by Bert Haigh on January 30, 1970.

To you, Sheriff, and to each of you; Greetings. I am glad to be here. I'll tell a bit about one other meeting of this organization, which was Ladies' night about a year ago. I had a most enjoyable time. There was a talk by someone who really knew what she was talking about. I think I know a little bit about what I'm talking about, but I'm not too sure about the way to do it. I'm not a speaker, I'll assure you of that. I might TALK about something but, I can't make a speech. I notice that you have a tape recorder here; you might have been better off if I had just put this on tape and then let the tape recorder give the story.

I know some of you; I remember some of you by name. Some of you I have been associated with for quite a while; a couple of you I'm associated with now in a sort of historical way: Dr. Myres and the good Sheriff. Dr. Sonnichsen I've known for a good many years and with a great deal of pleasure. José over there has been in my credit book for a long time. But I can't remember names, I can't remember faces. I'm a little bit along the line of what you may already know. If you don't know it, there is a story of the four mental ages of man. The first one is when you begin to forget faces; that happened to me a long time ago. Then you begin to forget names; that happened to me quite a while ago. The third one is when you forget to pull up the zipper; that's also happened to me. The fourth one is when you when you forget to pull the zipper down; that one I haven't got to yet. [Laughter]

The story of University lands goes a long ways back; in fact, a hundred and thirty one years and four days; to when Maribeaou B. Lamar, President of the Fourth Republic of Texas, signed an appropriation of fifty leagues of
land for the establishment of two institutions of higher education. The story actually started before that because it took quite a bit of urging to get the Congress to pass that bill for Lamar to sign, but it got through; and January 26, 1839, is really the official start of the story of University lands. When the State of Texas took over in 1845, of course this fell into the lap of Texas Legislature, and for 30 years there was a very considerable argument about it. There were three school of thought all through those thirty years. One school of thought wanted to hold, to adhere, strictly to the wording of the appropriation of the Congress and have two Universities; one, I believe, east of the Brazos and one west. There was another group that thought that one 90% school was better than two 45's. There was a third group which was, unfortunately, the best organized and by far the loudest, who wanted no institution of higher education within the state of Texas. Absolutely, it was something to be abhorred. I have read a great many journals of the Texas Legislature, both House and Senate journals, in the years of researching on this thing. Some of the speeches made were so interesting, some of them on the repulsive side; I spent to much time reading those speeches rather than actually researching the history of those lands. As a result of all that I came to just one dog-gone conclusion; that is, insofar as members of the Legislature were concerned, all laws of evolution were suspended about 150 years ago. I don't think there's much difference now when we read about what's going on in Washington and what's going on in Austin this last session, and there's not much difference in what those boys did in 1845 to 1876. There was one lapse in that. In 1858 there was a certain act passed
which had to do with the University. I'll have to back up a little bit in order to bring that into focus. In 1854 they passed the Railroad Construction Act, the Railroad Grant Act it's called, which provided for the granting to various and sundry railroads who would construct railroads, either intrastate or interstate, certain quantities of land for each mile of road that was constructed. In 1858, the Legislature authorized, and actually directed, the establishment of the University of Texas; not two, but The University of Texas. They appropriated therefore $100,000 out of the bonds which the United States had collected from the Federal Government in the Compromise Act of 1850. In addition to that, the Railroad Grant of 1854 stipulated that for each section of land that was granted to the railroads, an equal amount was to be set aside for the free public school fund. The Act of 1858 stipulated that one section out of each 10 of the Free Public School Fund lands was to be set aside for the benefit of this University which they had directed to be established. But, the Civil War came along, the politicians became infected with lethargy, a little more than usual, and nothing ever happened.

Finally in 1876 that they re-wrote the Constitution of the State of Texas. The railroads had acquired some 32 million acres under the grant act which meant 32 million acres for the Free Public School Fund. One section out of 10 would have meant 3,200,000 acres for the benefit of the University, most of which was pretty good farm land. When the re-writers of the Constitution came across that fact, they being good politicians, were not about to allow an unborn university to acquire a lot of good farm land. So, they re-appropriated the $100,000, but they cancelled out the one in 10 grant completely and substituted therefore 1 million acres
of the then un-appropriated public domain. This million acres consisted of fair to poor grazing land located in about eight west Texas counties; Crockett, Irion, Regan, Upton, Schleicher, Pecos, Terrell; that was just about it. The folks who were very much in favor of the University screamed to high Heaven about the University being robbed and, in order to stop some of the noise, the Legislature in 1883 ordered the Commissioner of the General Land Office to make a survey and find out how much public domain was left. He found out that, principally because a lot of land had been considered as not even worth surveying by the railroads, they had turned it back to the state. He came up with some 2 million acres of land which was acquired in this way. In 1883 the Legislature divided that 2 million acres 50/50 between the Free Public School Land and the University. Thus we get what is known as the 2 Million Acres: 1 million granted by the Legislature and one by the Constitution. In 1881 the University became established, but nothing much was done about the land. The original 50 leagues had all been sold off for an average of about $3 an acre, which put approximately $665,000 into the University Permanent Fund as it's first nucleus. There was a lot of discussion in the Legislature as to whether the land should be sold or whether it should be retained. Principally because a lot of it couldn't be sold, they decided to hang on to it. It was leased out for grazing purposes to some extent; but to a major extent it was used, free or for nothing, by a lot of cattle barons whom the University authorities couldn't bring to line, so not much money came in. Mineral rights were not thought of; everything pertained to the surface. In 1901, after Spindle Top came in, they began to wake up to see that there might be some mineral value. In 1913, the
first mineral act was passed.

1917 saw the first act of legislation passed by the Legislature to get into the possible development of oil and gas. The Act of 1917 authorized the Land Commissioner to issue prospecting permits on four sections of land to anybody who applied, provided that they were a citizen of the State of Texas, or a corporation within the state of Texas (incorporated under the laws of the state). They wouldn't allow any Damn Yankees or anybody else in here to promote this land at that time. Four sections of land in those days was not enough for anybody to get started on, but in 1919 this law was amended to allow the holders of four four-section permits to combine their holdings into one 16-section permit of 10,200 acres.

Now we come along to the story of Santa Rita, which was the start of the real money in the Permanent Fund; the introduction of the University of Texas into the oil business. Mr. Frank Pickrell of El Paso had served in the Army in San Antonio, in the intelligence division, under one Capt. Rupert Ricker. Mr. Pickrell and his uncle had operated the Elite Confectionery here for a good many years in El Paso. That's the place where the old "Chocolate Baseball" was invented, in case any of you around here are old enough to remember the "Chocolate Baseball." When Frank got out of the Army he didn't want anymore to do with the confectionery business; he wanted to get into the oil business. He hadn't ever seen an oil well, he said, so he decided that the thing he ought to do was to get out and find out what an oil well looked like. He and his uncle had quite an argument about that; the uncle insisted that he had to go back to work in the confectionery store. Finally the upshot was that Frank sold his interest to his Uncle and got on a train and headed for Ranger. On that train he
met up with Haymon Krupp, whom I'm sure many of you have heard of. Haymon Krupp and four other men were going up to the Burke-Burnett area to get themselves into the oil business. So, they talked Mr. Pickrell into going along with them. They went up there, and they bought two or three leases in that area. The four other men came back to El Paso; Frank Pickrell and Haymon Krupp decided to go to, I believe it was to Ranger, so they got off the train at Fort Worth. The first person they saw on the street outside of the depot was Captain Rupert Ricker, who had been Frank Pickrell's Commanding Officer in the Intelligence Service in San Antonio. They asked Rupert what he was doing and he told them that he had, under the 1917 Permit Act, acquired some applications for permits filed in the county on some 431,000 acres of University of Texas lands. He had the idea of starting some oil development. Things were not working out his way at all and he was about to have to give up the project. Well, they went into a considerable huddle and Rupert explained the processes, and so forth and so on. The upshot that Frank Pickrell and Haymon Krupp took over these permits that Mr. Ricker had lined up, re-permitted them through the various County Clerks, and then filed them in the General Land Office and paid the 10¢ per acre which the law required, and which was what had stopped Mr. Ricker. They then organized a company, and after fighting many hard battles they finally accumulated enough money to get the Santa Rita #1 started. It took them 21 months to drill it, and it finally came in on May 28, 1923. That well was the second commercial well ever drilled in the entire Permian Basin Area. The first one had been drilled in 1921 over in Mitchell County, commercial but small. Santa Rita put the university initially into the oil business. As the Big Lake Field
developed, they began to increase the wells, they began to spread the
developed area, and the University found itself really in the oil business.

Up to that time all of this was handled through the State Land Office; the University had no say about it what-so-ever. This continued up until 1925. The Land Commissioner was authorized to issue land permits and then he was directed to issue a lease, upon the discovery of oil, on all or as much of that permitted land as any operator desired to take. The terms were not too good; the royalty was 1/8 on oil, 10% on gas; but the accounting was bad and the University had nothing to say about it. In 1925 the law cancelled out this permit system and established a sealed-bid system of disposing of the leases.

Permits, old or existing permits, were extended by the Legislature from 1925 on up until 1931. Five fields were brought in under this old permit system. In 1925 they started the sealed-bid system, but it was still under the Land Office. The University still had nothing to say about it. In 1929 an El Pasoan who was a member of the Board of Regents, and a very good member, was completely fed up with the way the Land Office was handling the University's lands and he and a man in Dallas teamed up together, got some good friends in the Legislature and together they passed a bill that changed the complete system entirely. The El Pasoan was Robert L. Holliday; the man in Dallas was Edward Crane. These two people, I guess, have done more for the University than any other two individuals that ever lived.

Under this new system there was a board set up that was called the Board for Lease of University Lands, which consisted of two members of the Board of Regents and the Commissioner of the General Land Office, who was
an ex-facto member. Under the law the chairman of this board was elected by the Board of Regents itself. The whole system now was designed to keep the power of control within the hands of the Board. This board was ordered and directed by the Legislature to have all of the 2 million acres resurveyed and monumented on the ground. It soon developed that this board, which was an unpaid board (they didn't even get their expenses paid when they had meetings) couldn't handle that kind of business. So in 1931 they changed the law a little bit. They left the oil and gas leasing under the hands of the Board for Lease and turned everything else over to the Board of Regents of the University of Texas and directed them to proceed with the surveying and all of that. The Board for Lease was authorized to sell oil and gas leases by either sealed-bid or public auction method. They stayed with the sealed-bid method for a while. The Legislature stipulated that the leases had to be for five years, that the royalty had to be not less than 1/8, no leases could be extended beyond the end of the primary term, and the leases could only be validated within five years by the actual securing of production. It worked well; very much of an improvement over the old system. The University set up its own auditing system. It made some people pay back money that they had gotten away with. When the first suit was filed the operators settled for $950,000, which went to the Permanent Fund, to get it out of court. Of course at that time it was a pretty good sized settlement.

In 1936 two members of the Board of Regents had become greatly impressed with the public auction method of selling leases that was used by the Federal Government in selling the Osage Indian lands in Oklahoma. They made a couple of trips up there at their own expense, observed how it was
going on, and persuaded the Board for Lease members to try out this auction system. I will say that in 1929 the law states that the two Regental members of the Board for Lease of the University Lands cannot be employees of, attorneys for, or major stockholders in an oil company. I have my ideas as to why the Legislators put that in, a matter of protection for the University; whether it was against themselves or not, I don't know. But anyhow the upshot was that these members of the Board for Lease who were going to handle all this vast oil business were not supposed to know anything about such business. Fortunately for many, many years the Board of Regents of the University of Texas did have in its membership some people who did know something about it, and they served as an advisory committee to the Board for Lease. That practice continued for a good many years. These two members of the Board, George Morgan of San Angelo and J. R. Parten of Houston, persuaded the Board for Lease to try out the public auction system. Their first public auction system lease sale was held on July 20, 1936. It was quite an improvement, apparently, over the sealed-bid system and they held another on October 20 of the same year. The two public auction sales together showed themselves to be such a vast improvement over the sealed-bid method that in 1943 the Board went to the Legislature and had the public auction method made mandatory; it still is mandatory. All University oil and gas leases must be sold at public auction. The Legislature has fortunately laid off of the University in this deal and has let the University go ahead and run it. It's been a very good thing.

Now we'll back up just a little bit and go off on another track. When they rewrote the Constitution in 1876, they did two things that have not been too beneficial to the University. One of them was that they
declared A & M to be a branch of the University, and it still is a legislative branch of the University. They only recognize it on pay day, but it still is a branch. The other one was, in Article 7 of the Constitution they prohibited the Legislature of the State of Texas from ever levying taxes or appropriating money for the construction of buildings at the University of Texas or at A & M College. This $100,000 that they had appropriated (plus what came from the land endowment) was supposed to take care of the buildings, and for a long time it was a pretty dog-goned tight squeeze. I don't know whether any of you are old enough to have been down at the University in the early years right after World War I and had to go to school in those old wooden shacks they had down there. But for many years, outside of the five buildings that were originally constructed, the only ones that they had at the University of Texas were a bunch of barracks put there by the Army during World War I. That situation continued on up until 1931, when it became evident to the Board of Regents of the University of Texas and of A & M that this oil business was really going to amount to something. So to get around the prohibition against the appropriation of money for buildings, they persuaded the Legislature to authorize the University of Texas and A & M to issue bonds and pledge the income from the investment of the Permanent Fund as collateral for the payment of these bonds. At the same time, the two Boards had worked out an agreement whereby A & M was to receive 1/3 of the income from the investment of this Permanent Fund, and the University of Texas 2/3's. The reason for the the 1/3-2/3 division was that A & M, being a "land grant" college, received a lot of financial help from the Federal Government that the University of Texas did not at that time get.
In 1931 the first bond issue was sold, 12 million dollars, of which A & M got four and the University of Texas got eight. They sold the bonds and that was when the first of the buildings was built on the University of Texas campus. It started off that great complex that is there now. Several bond issues have been passed since then, all of which have been retired from the income of this Permanent Fund. Under the Constitution, all irreplaceable income from the lands must go into the Permanent Fund. This Permanent Fund cannot be spent for anything; it can only be invested under certain Constitutional provisions. Originally it provided that the money could be invested only in United States Government, State of Texas, or Texas Civil Subdivision bonds. In 1954 that was amended to allow the Board of Regents to invest 50% of the Permanent Fund in corporate securities under some pretty good safety regulations, so that the interest income is now higher than it originally was. But, that's the way those buildings have been paid for. We'll talk a little later on about the rest of the money.

In 1883, as we said, the Legislature granted the University the second million acres of land, most of which had been rejected by the railroads. When they sent a surveyor out west to establish these lands, survey them and mark them on the ground, he arrived in Ward and Winkler Counties and the sand hill country, and he was appalled at what he saw. Being interested only in the surface, he wrote back and reported to the Board about this great sand dune country, that it was absolutely worthless as far as the surface was concerned. He had found out, and so advised the Board, that because of map adjustments and some returns back to the State, there were approximately 1/2 million acres of unappropriated public domain in Hudspeth
County. As he is reported to have described it to the Board, it was "underlain by a lake of water and covered with grass belly high to a horse." I found out that he didn't quite say it in that way, but that's a good story, anyhow. But he did indicate that it was vastly improved over the sand dune area. The Board of Regents and the Commissioner of the General Land Office, without consent of the Legislature, authorized him to make the substitution. They gave up 7 blocks of land in the Ward-Winkler area, turned it back to the State (where it eventually went to the Free Public School Fund) and took instead 493,000 acres out here in Hudspeth County.

It so happens that this lake of water that he talked about is there, but it is about 1,400 feet below the surface. It takes pretty extensive drilling and very expensive pumping to produce that water. I've been back and forth across that land since 1924, and about the tallest grass I've seen over there is probably belly-high to a coyote; most of it belly-high to a Texas-size jackrabbit. The 7 blocks of land that they had traded off have produced about 750 million barrels of oil. This reject land that they did get, has produced, for the benefit of the University of Texas Permanent Fund, over 3/4 of a billion barrels of oil, so we're glad that the railroads rejected it, turned it back.

Now, I think that brings us up to date as far as the history is concerned. I don't want to carry on too long here, but I know that some of you might be a little interested in what has come from this. To do that we have to go into some statistics. I'll try to not give you enough statistics to bore you, but there are a few figures that apparently are of interest to many people.

I spoke of the 2 million acres. Because of some survey excesses and a
couple of small tracts since acquired, there are actually 2,108,966 acres involved in this Permanent Fund. 4,057 of these are remnants of the original 50 leagues and are located over in North Central Texas. The remaining 2,104,909 are scattered over 19 West Texas counties, with the various county areas ranging from 164 acres in Dawson County (northeast of Midland), to the 493,000 in neighboring Hudspeth County. Every acre of these lands, except a few in the concentrated oil areas plus a few camp-site and town-site areas, is leased for grazing. There are no farm or agricultural leases anywhere on the entire 2 million acres; it's just not that kind of land. 648,000 acres are currently under mineral lease, with 99% of the mineral leases being for oil and gas. The cumulative production figures are not available, but it's a little over 800 million barrels of oil. Pretty close to a billion barrels of oil have been produced off the University lands up to now with 2/3 of this having been produced from so-called "worthless lands."

I have referred to the current method of selling the oil and gas leases being by public auction. There have been 57 of these public auctions held since the first one in July of 1936. Prior to that time there had been 13 sealed-bid sales which had produced an average of $13.26 per acre. The first public auction sale brought $26.00 per acre; the second public auction sale brought it up to $37.00 an acre. This was quite an improvement over the other system. Another thing that very quickly developed was that under the public auction method there's no such thing as collusion among the oil companies. They've tried it two or three times but it just don't work. But when they hold these public auction sales down there in Austin, there are from 100 to 250 people there who are potential bidders. It's just not possible for that many people to get together, and when someone independent
gets interested and bids on a tract that four or five major companies are interested in and have gotten together and decided what they want to pay, it is just like turning the apple cart upside down; and it has been done several times. This is one of the big features of the public auction method. Another is that everybody knows what they are getting and what they are going to have to pay. That increases the take considerably.

There have been 57 of these public auction sales since the first one in July, 1936 and the bonus money taken in totals $206,687,242, with about 2,021,000 acres leased, which gives us an average of $102.26 per acre overall through the life of the public auction system. At least 75% of the acreage sold was wildcat acreage, and that is a pretty good price. Not all of them have produced that high a value. We had one sale back in 1940 that only brought about $3.44 an acre, but we had another one in 1956 and that paid $284.00 per acre. We have 2,108,000 acres, I said a while ago, in the Permanent Fund endowment. At different times over the years, more than twice that many acres have been leased for oil and gas. That might be a little hard to understand, but it is a peculiar fact that is of interest to some of us. I checked up over a 10-year period that ended about five years ago, and that 10-year period 62 1/2% of all of the oil and gas leases bought on the University lands were acquired by the payment of a cash bonus, some of them pretty heavy; they were kept for the full five years of the primary term with four years rental of $1.00 per acre per year paid; and were turned back (allowed to expire) to the University without ever being drilled. Even the oil companies cannot tell you why. It is just something peculiar to the oil industry. But that's what happened and that's why we've been able to lease more than twice as many acres as we have. Some of these
acres have been leased three, four, and five times.

The present cash and collateral value of the Permanent Fund, as of last August 31st (which was the end of the '69 fiscal year), is, to be exact, $541,778,120.33. You have often heard it said that the University of Texas is the richest educational institution in the world. No; it is not. It is in about third place though; Harvard is first and Columbia second. But it is the richest State supported institution, insofar as the Permanent Fund is concerned, or endowment is concerned. Columbia gets more money out of Rockefeller Center, I guess, than the University gets out of its oil land. But there are too many restrictions against this Permanent Fund: We can't spend it, all we can do is to spend the income, and A & M gets 1/3 of that income. So there is a terrific gap between the income from the Permanent Fund and the expenses of operating the University.

I believe I stated a while ago that the Constitution states that irreplaceable incomes must go into the Permanent fund. The Attorney General's office has ruled that oil and gas royalties and rentals are strictly irreplaceable. They also included that bonuses are irreplaceable, because theoretically bonuses are paid one time only. So bonuses, royalties and rentals all go into the Permanent Fund. $208,880,780 of this accrued from oil and gas lease bonuses, public sale, and permit leases. Oil and gas royalties account for $318,550,000; royalties from the sale of water up to now totals $1,513,699; and that is a rather surprising figure, to get that much royalty of the sale of water. The University Board of Regents for many years have adopted the policy that all waters in the University lands are to be reserved, and that municipalities are to have first call on those waters. We have some rather lucrative contracts with the city of Midland, the city
of Crane and with Pyote. The city of Midland has to pay a minimum of
$40,000 a year whether they use any water or not. We have sold salt brines
off the University lands and received a royalty of $123,000 out of that.

Before I quite, I would like to, emphasize about this gap, because we
hear a good many people talk about the University being so rich and yet
you have to pay taxes to maintain it. This Permanent Fund is approximately
$500 million. We have now, under the more favorable regulations, about
4 1/2% interest on this Fund. Last year the income from the Permanent
Fund was approximately $24 million, of which A & M got (1/3 or) $8 million,
and that left $16 million for the benefit of the University. First call on
that goes to pay for buildings. If there's anything left after that they
can use it for anything they want to use it for. But, as I say, that income
amounted to $16 million, and the legislative appropriation for the fiscal
year 1969-1970 for the entire University of Texas System was $119 million.
That's a $103 million gap. That explains why we have to have some tax money.

I've skipped over this, jumped a few places, but I don't know of any-
thing else that I can tell you without a little prodding from you. I'll
be happy to answer any questions that anybody might have about the University
system.

Q: Is Mr. Pickrell still living?
H: Yes sir, he is. He happens to be four days younger than I am, and I think
I can beat him around the block. [Chuckles] But he's doing all right.

Q: (By Dr. Samuel D. Myers) I was going to ask you who this surveyor was.
H: The gentleman was Judge O. W. Williams of Fort Stockton. Dr. Samuel
D. Myers recently compiled a lot of information and edited a book on
the life of O. W. Williams. Now, is there anything else you'd like
me to say about that, Dr. Myers? [Chuckles] O. W. Williams was a remarkable man. He was a surveyor, a philosopher; he really was an engineer although he never claimed to be. He was one of the most remarkable men in the country. The book, which was recently put out, containing his writings and telling a lot of his life, is a remarkable book, too.

Q: I would like to know about how many branches the University has.

H: Oh, Lord, I don't have a computer with me. We have the University of Texas at Austin, The University of Texas at El Paso, The University of Texas at Arlington, and we soon will have The University of Texas at Dallas. Then we have the Medical School at Galveston, the Medical School at Houston, the Medical School at San Antonio. We have the Dental School at Houston and the new Dental School at San Antonio. We have the Marine Biology Institute at Aransas Pass, I believe.

Q: Why are you overlooking Permian Basin?

H: I'm not overlooking it, but I don't hardly know what to say about that. It's not yet established. The legislature authorized recently, provided the Board of Regents could obtain territory upon which to build it by December 31, 1969, the establishment of an upper-level university (by that I mean juniors, seniors and graduate school), somewhere within 12 miles of the Odessa Junior College. There's been a fight going on between those two towns as to whether it was going to be established or not and where; and not too long ago, back in December, a tract of land was presented to the Board of Regents for the establishment of this school by the County Commissioners Court of Ector County. As far as the establishment of the university is concerned, it's just as worthless
as anything could possibly be, because there are nine producing oil wells scattered over this 620 acres; there are three high-pressure input injection wells for secondary recovery systems, on two of them with the input pressure being 6,000 lbs. per square inch and the return to the tanks pressure is 1,500 lbs. psi. It travels right across the entire 620 acres. There is a 66,000 volt high tension line going across the area and a few other little things like that; and there are just too doggone many people in the country who remember New London. I just don't think that the Board of Regents will ever try to establish a University on that potentially explosive ground, so I don't know if we are ever going to get the UTPB or not.

Q: (José Cisneros): What is the relationship of the Institute of Texas Cultures and the University of Texas?

A: Well, I don't know whether to call it a "Branch" or not, but it is an establishment of the University of Texas, governed by the Board of Regents of the University and financed by the University, with Henderson Shuffler, as you know, being the Director. It is very remarkable and efficient operation, and if any of you get to San Antonio, I would like to suggest that you take enough time to go by the fairgrounds there to the Institute of Texas Cultures and take that exhibit in. It's well worth anybody's time. I think it even has a few of the works of José Cisneros there, which make it all the more worthwhile. No more questions?

[Applause.]

H: I thank you very much.