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## TABELL'S MARKET LETTER

May 9, 1969

Last week's market, essentially sideways to firm, was normal following the sharp run-up in the Dow scored during the prior week. Although the market is at the moment mildly overbought on most short-term indicators, there is nothing to indicate that the move could not be extended a bit further and we continue to feel that 995 constitutes a logical near-term objective for the Dow.

Despite the lack of action in the averages during the past week, a great many oil stocks with acreage in the Arctic region, were strong. These stocks have been market leaders over the past year and, admittedly, a great many are highly speculative, especially in view of the fact that they have scored advances of better than 100% from fairly recent lows. Nonetheless, for those investors who can assume risk, we feel there is substance in the Arctic oil play.

With a major percentage of the world's oil reserves locked up in the Middle East and along the northern fringe of the African continent, areas subject to no small degree of political unrest, it is understandable why in recent months especially, economic and government planners of the Western World have been turning their attentions to the New World's far northern reaches in hopes of finding oil deposits of commercial size. Recent discoveries present the suggestion that these hopes may be realized even beyond earlier expectations.

Last July's discovery of what probably is the largest petroleum deposit in North America by the Atlantic-Richfield-Humble Oil group was important not only for its size but for its DOMESTIC location. Not only did this discovery help lessen dependency on foreign oil, albeit by the very smallest degree, but it encouraged increased exploration work across Alaska, through the MacKenzie Delta and into the Canadian Arctic Islands. This also has encouraged the Russians to send oil geologists into the northern reaches of Siberia, so it would seem that things definitely are heating up in the ice-covered north.

Geologically, it has been well known for many years that structures in this area were favorable for the discovery of oil deposits. A vast sedimentary deposit forms almost a collar around the top of the world and geologists familiar with this structure state that folds and faults have produced formations geologically similar to those prevailing in the Middle East. These same geologists have suggested the possibility that oil located in these northern regions could number in the hundreds of billions of barrels, much of which could be recoverable.

It is possible that the Canadian Arctic areas might offer investors more exciting potential than does Alaska. Oil is yet to be found, although some gas has been located, and shares of companies involved in this "oil search" have unusual speculative potential. The recent discovery of natural gas on Melville Island bears adequate testimony to the excitement that could accompany any significant oil find. When news of this was flashed to the investment community, the demand for shares pushed many stocks up between 10% and 20% in only a few hours.

The Melville Island story is this. A test well at Drake Point on the island encountered a 90' gas zone at 3600 feet. An unmeasured gas flow occurred while removing the test stem. The flow of gas indicates the structure being drilled has porosity and permeability, permitting the possible presence of oil further down. Time alone will tell, but Lady Fortune seems already to be wetting her lips.

One of the more interesting situations connected with this turn of events is one of the stocks on our Recommended List: Pacific Petroleum, Ltd. (36 7/8). Pacific Pete holds about 5 million acres in Northern Canada, more than half of which is located along the rim of the Sverdrup Basin, the area of present urgency. A find of even one billion barrels of oil on PP's property would add an additional \$20 in assets to the approximate \$23 in assets already behind each PP share. Few analysts believe these figures are not conservative. Thus, Pacific Petroleum, selling around the 37 level, is priced below its potential asset value and offers substantial increases in asset worth should oil be discovered in commercial quantities. Phillips Petroleum, also on our Recommended List, holds almost 10 million shares of PP, which is worth approximately \$21 per Phillips share at current markets, substantially augmenting the upside potential for Phillips. Other companies of interest active in this same area include Standard Oil of N. J., Imperial Oil of Canada, and those smaller companies forming the Panarctic Oils consortium. This latter group includes Bow Valley Industries, Dome Petroleum, Canadian Pacific Oil & Gas (subsidiary of CP RR), Canadian Gridoil, Barber Oil and Bankeno Mines.

Dow-Jones Ind. 961.61  
Dow-Jones Rails 238.85

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