United Carbon Company

and

Subsidiaries

ANNUAL REPORT
December 31, 1933
UNITED CARBON COMPANY
AND
SUBSIDIARY COMPANIES

KOSMOS CARBON COMPANY
CRYSTAL CARBON COMPANY
UNITED PRODUCING COMPANY
UNITED GAS COMPANY (OF WEST VIRGINIA)
EASTERN CARBON BLACK COMPANY
TAYLOR-GREEN GAS COMPANY

ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 1933
UNITED CARBON COMPANY

GENERAL OFFICES: CHARLESTON, W. VA.

OFFICERS

OSCAR NELSON ........................................... PRESIDENT
G. A. WILLIAMS ........................................... 1st VICE PRESIDENT
C. E. SLAGLE ............................................. VICE PRESIDENT
T. F. KOBLEGARD .......................................... VICE PRESIDENT
T. S. REED ................................................. VICE PRESIDENT
C. H. MCHENRY ............................................. SECRETARY
ARTHUR HANSON .......................................... ASS'T SECRETARY
T. A. WHELAN .............................................. TREASURER
C. A. URBAN .............................................. ASS'T TREASURER

DIRECTORS

G. L. CABOT CHAS. NEUBERT
W. B. CLARKE T. S. REED
S. S. HATHAWAY C. E. SLAGLE
T. F. KOBLEGARD GEO. G. WEAKS
H. S. MARSTON T. A. WHELAN
C. H. MCENRY G. W. WHITE
OSCAR NELSON W. P. WILLETTS
G. A. WILLIAMS

EXECUTIVE COMMITTEE

C. G. CUSHING C. H. MCHENRY
S. S. HATHAWAY OSCAR NELSON
T. F. KOBLEGARD T. A. WHELAN
G. A. WILLIAMS
ANNUAL REPORT OF
UNITED CARBON COMPANY
FOR THE YEAR ENDED DECEMBER 31, 1933.

TO THE SHAREHOLDERS:

The Management submits the following report of United Carbon Company and Subsidiary Companies for the year ended December 31, 1933. This report contains complete financial and statistical statements, together with a map showing gas and oil fields in which the Company is interested and pipe lines to which it delivers gas.

United Carbon Company's principal business consists of the production and sale of Carbon Black, Natural Gas and Gasoline.

FINANCIAL POSITION

The financial position is excellent, the Company closing the year with no bank debt and a net working capital of $2,905,959.19, including cash of $667,759.67, and $304,209.25 placed in secured short-term interest-bearing notes receivable. The current assets amounted to $3,442,553.77, as against current liabilities of $536,594.58, reflecting a ratio of about six and one-half to one.

EARNINGS

Operations for the year 1933 resulted in a net operating profit of $1,295,332.22 after all necessary charges and expenses, but before depreciation and depletion. Depreciation and depletion charges for the year amounted to $659,114.98, leaving a net profit of $636,217.24. This net profit was equal to $1.39 per share on the common stock after allowing for the dividend requirements of 7% on the preferred stock and compared with only $145,643.59, or 5c per common share, earned in 1932.

DIVIDENDS

The Company resumed the dividends on both classes of stock by the payments of the regular semi-annual dividend of $3.50 per share on the preferred stock on July 1st and a quarterly dividend of 25c per share on the common stock on July 3rd. Subsequently, dividends were paid on the common stock in the amounts of 25c per share on October 2nd
and 40c per share on January 2, 1934, on which latter date the regular semi-annual preferred dividend of $3.50 per share was also disbursed.

CARBON BLACK

The tonnage sales of carbon black increased sharply during 1933 and registered a new record with shipments 63% ahead of those for 1932. An expansion was also shown in the trade position, United Carbon Company supplying about 27% of all carbon black consumed.

The technical research work is constantly carried on with the view of further improving the Company's products and expanding their uses. The results obtained have been very encouraging and further benefits are anticipated from this work.

Practically all of the Company's idle plants, which have been carefully maintained, are being placed in operation again to meet the growing demand for carbon black.

As a result of negotiations begun in the latter part of 1932 and concluded on May 25, 1933, a corporation has been formed known as Carbon Black Export, Inc., to operate under the Webb Act for the sale of the export carbon black. As one of the constituent companies of the Carbon Black Export, Inc., United Carbon Company has the largest quota of any producer. It is believed that this association will go far toward stabilizing the export market.

With the higher prices now in effect on both domestic and export carbon black, the outlook for this division of the Company's business is decidedly encouraging and 1934 should mark the return of profitable operations.

NATURAL GAS

Earnings for the year 1933 reflect the uninterrupted growth of the Company's gas sales. The average deliveries during the year amounted to 75½ million cubic feet per day and exceeded the record of 1932 by 22 per cent. The dollar sales showed a corresponding increase of 32 per cent.

The increase in deliveries from the Company's eastern Kentucky field contributed greatly to this expansion in gas sales.

It may be of interest to you to learn that the deliveries are now running at the rate of about 100 million cubic feet per day, with a gross income of approximately $7,000.00 per day.

The Company continued its development program, particularly extensive in eastern Kentucky, with very satisfactory results, further proving the gas reserves and adding substantially to the gas available for existing and prospective marketing outlets. Forty-two wells, all of which are good producers, were drilled on the Company's acreage.
during the year. In addition, 15 wells were acquired through purchases.

Expecting to develop the market for the sale of gas from the Company's gas property in Potter County, Pennsylvania, comprising about six thousand acres of gas leases, drilling operations have recently been started on this acreage. The Company has enjoyed the benefit of having this acreage further proven by the drilling of unusually large wells on adjacent and nearby properties.

Capital expenditures during 1933 amounted to $742,611.04, the major part of which was expended for the development of gas properties.

The Company is operating under the provisions of the National Recovery Administration Codes for both the carbon black and natural gas industries, resulting in a substantial increase in wage payments.

With the prevailing higher prices on Carbon Black and on basis of the present satisfactory gas deliveries, the Management expects the current year to show a considerable improvement in earnings over those of last year.

Respectfully submitted,

OSCAR NELSON, President.

February 17, 1934.
**ASSETS**

**CURRENT ASSETS**

- Cash: $667,759.67
- Notes and Acceptances Receivable: $575,720.72
- Accounts Receivable: $1,664,333.47
- Inventories (at or lower than market): $534,739.91

**TOTAL CURRENT ASSETS**: $3,442,553.77

**INVESTMENTS AND OTHER ASSETS**

- Cash on Deposit in Closed Banks: $134,108.19
- Sundry Accounts and Notes Receivable:
  - Employees (secured $19,875.00): $22,965.53
  - Others (secured $97,227.71): $138,928.60
- Investments (at cost):
  - Mississippi River Fuel Corporation
    - Stock and Stock Purchase Warrants: $927,346.25
  - Other Stocks: $54,941.06

**TOTAL INVESTMENTS AND OTHER ASSETS**: $1,273,289.63

**FIXED ASSETS**

- Land, Buildings, Equipment, Wells, Pipe
  - Lines, Franchises, Leaseholds, etc.,—at cost: $17,722,540.63

**TRADE MARKS, CONTRACTS, ETC.**: $1.00

**DEFERRED CHARGES**

- Prepayments on Gas Purchases: $210,100.87
- Prepaid Taxes, Rentals, Insurance & Expenses: $118,769.90

**TOTAL DEFERRED CHARGES**: $328,870.77

**$22,767,255.80**
# Balance Sheet

**Charleston, West Virginia**

**River Companies**

**March 31, 1933**

## Liabilities

### Current Liabilities
- Accounts Payable: $257,011.27
- Dividends Payable: $208,883.43
- Accrued Taxes, Royalties, Etc.: $70,699.88

**Total Current Liabilities:** $536,594.58

### Deferred Income

**Total Deferred Income:** $299,843.21

### Reserves
- For Depreciation and Depletion: $8,060,039.08
- For Possible Losses and Contingencies: $141,487.39

**Total Reserves:** $8,201,526.47

## Capital and Surplus

**Preferred—7% Participating Non-Cumulative—**
- Authorized: 100,000 Shares
- Unissued: 78,517% “
- In Treasury: 4,134% “
- Outstanding: 17,347% Shares of $100. Par Value: $1,734,775.00

**Common—No Par Value**
- Authorized: 800,000 Shares
- Unissued: 402,115 “
- Reserved for Employees: 3,558 “
- In Treasury: 24,200 “
- Outstanding: 370,127 Shares

**Earned Surplus:** $1,003,183.59

**Total Capital and Surplus:** $13,729,291.54

**Total:** $22,767,255.30
## CONSOLIDATED SUMMARY OF OPERATIONS

**UNITED CARBON COMPANY—CHARLESTON, WEST VIRGINIA**

**AND SUBSIDIARY COMPANIES**

**FOR THE YEAR ENDED DECEMBER 31, 1933.**

<table>
<thead>
<tr>
<th>NET SALES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Black</td>
<td>$2,939,223.54</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$1,738,444.83</td>
</tr>
<tr>
<td>Gasoline, Oil and Royalties</td>
<td>$70,620.48</td>
</tr>
<tr>
<td><strong>TOTAL NET SALES</strong></td>
<td><strong>$4,748,288.86</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COST OF SALES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Black</td>
<td>$2,660,478.19</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$891,565.02</td>
</tr>
<tr>
<td>Gasoline, Oil and Royalties</td>
<td>$48,649.32</td>
</tr>
<tr>
<td><strong>TOTAL COST OF SALES</strong></td>
<td><strong>$3,600,693.63</strong></td>
</tr>
</tbody>
</table>

**MANUFACTURING PROFIT** $1,147,596.32

**SELLING, ADMINISTRATIVE AND GENERAL EXPENSES** $433,723.80

**GROSS OPERATING PROFIT** $713,872.62

**DEDUCTIONS FROM INCOME**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Productive Operating Expenses</td>
<td>$107,402.07</td>
</tr>
<tr>
<td>Interest and Discount</td>
<td>$25,198.64</td>
</tr>
<tr>
<td>Cost of Operating Employees’ Dwellings— (Less Income)</td>
<td>$55,123.54</td>
</tr>
<tr>
<td>Loss on Sale Capital Assets</td>
<td>$12,673.52</td>
</tr>
<tr>
<td>Sundry</td>
<td>$8,971.60</td>
</tr>
<tr>
<td><strong>TOTAL DEDUCTIONS FROM INCOME</strong></td>
<td>$208,769.37</td>
</tr>
</tbody>
</table>

**OTHER INCOME**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and Discount</td>
<td>$39,956.32</td>
</tr>
<tr>
<td>Discount on Purchase of Short Term Notes</td>
<td>$80,602.80</td>
</tr>
<tr>
<td>Sundry</td>
<td>$10,956.89</td>
</tr>
<tr>
<td><strong>TOTAL OTHER INCOME</strong></td>
<td>$130,915.01</td>
</tr>
</tbody>
</table>

**NET DEDUCTIONS FROM INCOME** $77,854.36

**BALANCE** $636,018.16

**NET PROFIT FOR THE YEAR** $636,217.24

Depreciation and Depletion deducted in above Cost of Sales and Expenses amounted to: (as in the past, consideration has been given to the idle time of plants in computing depreciation) $659,114.98
CONSOLIDATED EARNED SURPLUS
UNITED CARBON COMPANY—CHARLESTON, WEST VIRGINIA
AND SUBSIDIARY COMPANIES
FOR THE YEAR ENDED DECEMBER 31, 1933

BALANCE, January 1, 1933 $ 824,245.49
Net Profit for year, before provision for Federal Income Taxes 636,217.24
TOTAL $1,460,462.73

LESS
Dividends on Preferred Stock:
Paid July 1, 1933 $ 60,748.63
Payable January 2, 1934 60,717.13
Dividends on Common Stock:
Paid July 3, 1933 $92,531.75
Paid October 2, 1933 92,531.76
Payable January 2, 1934 148,050.80 $ 454,680.06
Taxes Applicable to 1932 2,500.00
Increase in Minority Interests' Deficit 199.08
TOTAL DEDUCTIONS 457,279.14

BALANCE, December 31, 1933 $1,003,183.59
F. W. LAFRENTZ & CO.
CERTIFIED PUBLIC ACCOUNTANTS
EXECUTIVE OFFICES
100 BROADWAY, NEW YORK, N. Y.

February 10, 1934.

PRESIDENT AND BOARD OF DIRECTORS,
UNITED CARBON COMPANY,
CHARLESTON, WEST VIRGINIA.

Gentlemen:

We have made an examination of the accounts and records of United Carbon Company and its Subsidiary Companies for the purpose of verifying Assets and Liabilities as of December 31, 1933, and to determine the results of operations for the year ended that date. In connection therewith we made such tests of the accounting records and other supporting evidence as we deemed necessary, obtaining information and explanations from officers and employees; we also made a general review of the accounting methods and of the operating and income accounts for the year.

Cash was verified by reconciliation with certifications received from the depositories. Accounts and Notes Receivable were examined by us as well as any collateral held as security therefor; the collectibility thereof was discussed with the Management and we were assured that all known losses had either been charged off or Reserves provided.

Inventories are carried in accordance with perpetual inventory records, values having been adjusted to current cumulative production cost of carbon black, which is less than present market value. The adjustment of book figures amounting to $128,444.63 was charged to the Reserve for Losses set up from Surplus at December 31, 1932 for that purpose.

All securities owned, including those of subsidiaries, were properly accounted for and found to be in agreement with the records. Additions and retirements to Fixed Assets were inspected and appear to be properly recorded. The Company's computations of prepayments were tested and represent amounts chargeable to future operations.

All known liabilities, as well as all accruals, for taxes, royalties etc., have been entered on the books. Federal Income Taxes for prior years are still in dispute. We were advised by the Company's representatives protesting the assessment of these taxes that in their opinion the assessment thereof will prove to be erroneous and, accordingly, no provision has been made therefor.

Deferred Income represents prepayments for the sale of natural gas. Additions to Depreciation and Depletion Reserves were checked and found to be in accordance with the Company's policy in the past. Items charged to Reserve for Losses are, in our opinion, proper charges thereto; the Reserve has been credited with all profits resulting from the purchase and sale and/or retirements of the Company's own securities during the year.

In our opinion, based upon such examination, the accompanying balance sheet and related summary of operations and surplus fairly present, in accordance with accepted principles of accounting, consistently and efficiently maintained by the Companies during the year under review, their consolidated position at December 31, 1933, and the consolidated results of their operations for the year.

Respectfully,

F. W. LAFRENTZ & CO.,
Certified Public Accountants.
<table>
<thead>
<tr>
<th></th>
<th>1933</th>
<th>1932</th>
<th>1931</th>
<th>1930</th>
<th>1929</th>
<th>1928</th>
<th>1927</th>
<th>1926</th>
<th>1925</th>
</tr>
</thead>
<tbody>
<tr>
<td>Producing Gas Wells</td>
<td>838</td>
<td>389</td>
<td>299</td>
<td>277</td>
<td>255</td>
<td>187</td>
<td>168</td>
<td>161</td>
<td>136</td>
</tr>
<tr>
<td>Gas Wells Controlled by Purchase Contracts</td>
<td>50</td>
<td>98</td>
<td>99</td>
<td>98</td>
<td>71</td>
<td>55</td>
<td>51</td>
<td>48</td>
<td>88</td>
</tr>
<tr>
<td>Total Producing Gas Wells</td>
<td>473</td>
<td>433</td>
<td>398</td>
<td>370</td>
<td>306</td>
<td>242</td>
<td>214</td>
<td>204</td>
<td>174</td>
</tr>
<tr>
<td>Total Daily Open Flow (M. Cu. Ft.)</td>
<td>1,170,060</td>
<td>1,800,000</td>
<td>1,450,000</td>
<td>1,324,000</td>
<td>1,050,000</td>
<td>910,000</td>
<td>875,000</td>
<td>850,000</td>
<td>753,000</td>
</tr>
<tr>
<td>Gas Produced and Purchased (M. Cu. Ft.)</td>
<td>74,554,967</td>
<td>60,267,972</td>
<td>61,732,082</td>
<td>89,082,000</td>
<td>87,908,000</td>
<td>50,330,000</td>
<td>39,740,000</td>
<td>34,241,000</td>
<td>33,265,000</td>
</tr>
<tr>
<td>Gas Sold (M. Cu. Ft.)</td>
<td>27,584,786</td>
<td>22,649,996</td>
<td>13,508,399</td>
<td>17,825,000</td>
<td>11,913,000</td>
<td>11,102,000</td>
<td>9,815,000</td>
<td>2,136,000</td>
<td>1,787,000</td>
</tr>
<tr>
<td>Gasoline Produced (Gallons)</td>
<td>2,658,188</td>
<td>2,632,599</td>
<td>1,910,048</td>
<td>2,377,214</td>
<td>1,922,858</td>
<td>2,216,884</td>
<td>2,453,614</td>
<td>3,339,975</td>
<td>3,405,714</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$2,905,099</td>
<td>$2,638,315</td>
<td>$2,466,502</td>
<td>$2,447,490</td>
<td>$3,050,000</td>
<td>$2,631,465</td>
<td>$2,285,349</td>
<td>$2,744,707</td>
<td>$2,690,714</td>
</tr>
<tr>
<td>Bonded Indebtedness</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>$848,000</td>
</tr>
<tr>
<td>Plant Investment, Less Depreciation and Depletion</td>
<td>$9,662,562</td>
<td>$5,458,481</td>
<td>$3,868,309</td>
<td>$10,180,638</td>
<td>$7,708,829</td>
<td>$10,056,235</td>
<td>$9,245,219</td>
<td>$9,256,365</td>
<td>$9,663,508</td>
</tr>
<tr>
<td>Net Sales</td>
<td>$4,748,259</td>
<td>$3,415,502</td>
<td>$3,229,868</td>
<td>$3,541,140</td>
<td>$4,321,782</td>
<td>$5,516,086</td>
<td>$3,775,165</td>
<td>$3,216,153</td>
<td>$2,713,870</td>
</tr>
<tr>
<td>Depreciation and Depletion charged against Income</td>
<td>$659,115</td>
<td>$650,378</td>
<td>$737,765</td>
<td>$1,153,490</td>
<td>$1,525,524</td>
<td>$1,280,102</td>
<td>$1,029,077</td>
<td>$1,004,465</td>
<td>$929,618</td>
</tr>
<tr>
<td>Net Income</td>
<td>$686,217</td>
<td>$145,644</td>
<td>$397,770*</td>
<td>$704,600*</td>
<td>$1,814,556</td>
<td>$932,104*</td>
<td>$89,305*</td>
<td>$264,831*</td>
<td>$28,860</td>
</tr>
</tbody>
</table>

Note: Producing Wells and Daily Open Flow do not include gas purchased from Phillips Petroleum Company and Skelly Oil Company.

*Deficit.
# Sales Organization of United Carbon Company

**General Sales Office**  
Union Building, Charleston, W. Va.

## Sales Offices and Representatives in U. S. A.

<table>
<thead>
<tr>
<th>City</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>New York City</td>
<td>2612 Empire State Building</td>
</tr>
<tr>
<td>Akron</td>
<td>308 Akron Savings &amp; Loan Building</td>
</tr>
<tr>
<td>Chicago</td>
<td>844 Rush Street</td>
</tr>
<tr>
<td>Boston</td>
<td>131 Beverly Street</td>
</tr>
<tr>
<td>Cleveland</td>
<td>466 Rockefeller Building</td>
</tr>
<tr>
<td>Dallas</td>
<td>2302 Hickory Street</td>
</tr>
<tr>
<td>Denver</td>
<td>1742-1746 Champa Street</td>
</tr>
<tr>
<td>Des Moines</td>
<td>SW First &amp; Granger Streets</td>
</tr>
<tr>
<td>Houston</td>
<td>2600 Crockett Street</td>
</tr>
<tr>
<td>Kansas City</td>
<td>29th &amp; Southwest Boulevard</td>
</tr>
<tr>
<td>Los Angeles</td>
<td>2030 Bay Street</td>
</tr>
<tr>
<td>Louisville</td>
<td>14th &amp; Walnut Streets</td>
</tr>
<tr>
<td>Memphis</td>
<td>26 West Georgia Avenue</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>101 Third Avenue</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>815 Railway Exchange Building</td>
</tr>
<tr>
<td>New Orleans</td>
<td>614-616 S. Peters Street</td>
</tr>
<tr>
<td>Omaha</td>
<td>1114 South Fourth Street</td>
</tr>
<tr>
<td>St. Louis</td>
<td>1100 N. Levee Street</td>
</tr>
<tr>
<td>San Francisco</td>
<td>274 Brannan Street</td>
</tr>
<tr>
<td>Trenton</td>
<td>28 Woolverton Avenue</td>
</tr>
<tr>
<td>Tulsa</td>
<td>402-4 No. Boston Avenue</td>
</tr>
<tr>
<td>Wichita</td>
<td>710 E. Thirteenth Street</td>
</tr>
</tbody>
</table>

## Representation in Canada

Canadian Industries Limited,  
Montreal, Toronto,  
Hamilton, Winnipeg and Vancouver.

## Representation Outside of North America

Carbon Black Export, Inc.,  
500 Fifth Avenue,  
New York City.
MAP
SHOWING OIL AND GAS FIELDS IN WHICH THE UNITED
CARBON COMPANY IS INTERESTED AND PIPE LINES TO
WHICH IT DELIVERS GAS.—DECEMBER 31, 1933.