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Thomas H. Chambers  
R-146  
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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

MAY 17 1976

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6-28-76

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Mr. Thomas H. Chambers  
925 Adams S.E.  
Albuquerque, New Mexico 87108

Re: Thomas H. Chambers

Dear Mr. Chambers:

This is in response to your letter of May 4, 1976 requesting an interpretation of Rule 146 under the Securities Act of 1933 (the "Act").

As stated in your letter, you represent a group of New Mexico investors who want to drill some developmental oil and gas acreage owned by a Texas corporation. The Texas corporation is presently drilling the acreage with some private investors, utilizing a limited partnership structure with the corporation as general partner. The limited partnership currently has 34 limited partners and is operating under Rule 146. You would like to organize your own group in New Mexico to purchase a percentage of the working interest, in the acreage and wells currently being drilled by the Texas corporation, from the Texas corporation for which the Texas corporation would receive a 1/8 overriding royalty on the production from the wells. If the Texas corporation purchased and supplied the tangible equipment, you would grant them an option to convert the overriding royalty into a 60% interest in the revenues generated from the working interest.

The question posed by your request concerns the integration of offerings and the effect of such on the exemption provided by the Rule. Subparagraph (g)(1) of Rule 146 limits the number of purchasers in any offering to 35. As provided in the Rule's Preliminary Note 3, whether offers and sales should be regarded as part of a larger offering, and thus should be integrated depends on the particular facts and circumstances considered against the factors set forth in Securities Act Release No. 4552 (November 6, 1962).

Based on the facts presented, it is the Division's view, as noted in Securities Act Release 4552, that the proposed offering described in your letter would be integrated since the general partner, the limited

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partnership and your group would be drilling the same acreage, have the same general partner, and the same general purpose. Under the circumstances, Rule 146 would be inapplicable.

Sincerely,

Consuela M. Washington  
Attorney Adviser

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