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SINCLAIR ACCORD NEARER

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An official source said the reply ikely would be a firm rejection of he arbitration proposal.

The Laguna contract will involve ;,000,000 barrels of crude oil, 200,000 barrels of gasoline and 197,000 barels of kerosene.

Prices in all categories were reported to be 30 cents below California prices in order to compensate apan for Panama Canal tolls and haulage charges.

Semi-official sources said $100,000 cash was paid when the contract vas signed. It is to take effect on May 1 and run for a year. The apanese will load the petroleum at Mexican gulf ports.

The Mexican Government was reported making every effort to strengthen its hand should its reply to the Hull note precipitate a showdown with the United States Government.

A government official who said he had read the final draft of Mexico's reply declared that "if the United States does not accept our proposals, our note will not leave them a legal leg to stand on and will close other avenues to any settlement of the controversy by the governments."

The official indicated that the Mexican proposals included one for a joint Mexican-United States commission empowered to draft a final settlement of the oil controversy.

An official of the Foreign Ministry said the note would be delivered to United States Ambassador Josephus Daniels either tomorrow or Tuesday.

Sinclair Agreement Seen

Wireless to THE NEW YORK TIMES.

MEXICO CITY, April 20—The negotiations carried on in Washington between the Mexican Ambassador, Dr. Francisco Castillo Najera, and the Sinclair Oil interest's representative have progressed so far, according to a reliable source here today, that the two sides are now said to be definitely agreed on a "basis" of understanding and that they can, therefore, conclude a final agreement at very short notice or almost whenever they deem it advisable to do so.

Further negotiations are in abeyance pending developments as a consequence of the diplomatic notes now being exchanged by the United States and Mexican Governments, but it is believed that Mexico can introduce a new element into the situation at any time by concluding the agreement with the Sinclair interests. This move is apparently being held in reserve for the present.

When Ambassador Najera arrived in Mexico City in the first week of March, he carried with him a rough draft of an understanding whereby the Sinclair interests were to be paid a sum agreed upon between the two sides for its properties, the Mexico payments being made for a small part in cash and the remainder in oil over a period of years.

The sum suggested as a reasonable value for the Sinclair properties is understood to have been $17,000,000. President Lazaro Cardenas, however, considered this valuation too high and it is, therefore, presumed that it has been considerably cut down in the negotiations that have occurred since then.

Arizona Lacks Fuel Oil

NOGALES, Ariz., April 20 (AP)—The Southern Pacific of Mexico has suspended operation of excursion trains or "extra" freight trains, due to a shortage of fuel oil, announcing that only a six-day supply for regular operation is available.

J. H. Small, vice president of the railroad, charged the National Railways of Mexico with unfair proportioning of the fuel oil supply.

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