



**PETROLEUM  
HISTORY  
SOCIETY**

# ARCHIVES

*Newsletter of the Petroleum History Society*

*May, 1988; Volume II, Number 3*

Annual meeting

## How a meeting of giants opened the California market to Alberta gas

*Report on talk by John D. Wirth, to Petroleum History Society; by Leslie O. Rowland, Contributing Editor, Oilweek.*

California is still the most accessible market region for Canadian gas, and one of the few United States markets which represents a good competitive environment. This was the contention of Dr. John D. Wirth of Stanford University, in a talk to the Petro-

leum History Society based on a forthcoming book on case studies of three large international developments.

The Alberta-California pipeline, which started operating in 1962, brought Canadian gas into that market for the first time, in large volume, at prices more than competitive with traditional supplies from Texas, Oklahoma and New Mexico, he explained.

*(Cont'd p. 4)*

## Luncheon Presentation

**TOM KENNEDY\***

on

**PANARCTIC:**

**The Quest for Arctic Oil**

Time: 12:00 noon

Date: Wednesday, May 4, 1988

Place: The Palliser Hotel

Cost: Society members, \$15; non-members, \$17.

RSVP: Jennifer Thiedemann 269-6721 by May 3.



(\*Biography, page 3)

## President's Report

**T**he past year has been a very successful one for your Society. At a special meeting of the Board of Directors in May of 1987, the mandate of the Society was reaffirmed and a one year objective for the Society was established together with a list of activities which would meet this objective. The objective the past year was "to create an active organization which will increase awareness within Alberta of the history of Canada's petroleum industry".

Strategies to meet this objective included an intensive membership drive, beginning a program of regular luncheon meetings with guest speakers, the publication of a newsletter and the resumption of the Oral History Project.

With the solicitation on our behalf of their memberships by the Canadian Petroleum Association in September and by the Petroleum Resources Communication Foundation in December, membership in our Society has exploded. In April of 1987, the Society had a total membership of 23 individuals, today we have 21 institutional and 64 individual members - a 370% increase. It will be our task in the coming year to hold all these new members and expand on this broad foundation.

The program of regular luncheon meetings began in late September with the presentation by Larry Clausen on the Hell's Half Acre Interpretation Centre at Turner Valley, followed by Dr. Grant MacEwan in November and Max Foran in January.  
*(Cont'd, p. 5)*

### Society Business

## 1988 Board of Directors chosen

**A**t the society's March annual meeting, the members present chose a new board by acclamation. Following are the present members and positions, with their telephone numbers in brackets: Bill McLellan (h: 288-9089; b: 290-2840) will continue as president; Rebuin Nehring (h: 239-7374; o: 264-6702) begins a term as vice-president; Mickey Gulless (h: 283-9268; o: 290-2833) formally assumes office as treasurer; Kim Coghill (o: 244-6111) becomes secretary.

Returning directors include Pat Boyle (h: 287-3867; o: 294-8242); Betty Daly (h: 243-3951) Aubrey Kerr (h: 253-8900; o: 260-2900); and Peter McKenzie-Brown (h: 256-6988; o: 269-6721).

Retiring directors were Doug Cass, who will continue to represent the Glenbow Institute at board

meetings informally; and David Finch. Their years of service on the board have been greatly appreciated.

## The Publisher

Archives is published periodically by the Petroleum History Society, 3800, 150 6th Ave. S.W., Calgary, T2P 3y7; (403) 269-6721. Editor: Peter McKenzie-Brown.

Submissions on historical topics related to Canada's petroleum industry are welcome. For information on membership or society activities, contact society president W.R. McLellan (403) 290-2840.

## Tom Kennedy

**T**om Kennedy was born in Hungary in 1939. He escaped to England in 1956 after the Soviet invasion of his homeland. In Britain, he worked as a bus conductor, taxi driver, spinner etc. before going back to school. He studied political science and economics and English Lit. at Bristol.

He worked as executive assistant at a City of London private bank and brokerage office, specializing in commodities like pork bellies and frozen orange

juice. He began writing stock market coverage. Asked to come over to Canada by Max Bell, one of their clients, he became Britain's Centennial Gift to this Realm, being the only thing they could afford in way of largesse...

Here, he worked at the *Albertan* for three years before joining the *Globe and Mail* Report on Business reporting on energy in the west and exploration in the North for 10 years. In that period the energy wars  
(Cont'd, p. 5)

## Fosterton-Dollard's 35th Reunion

**S**wift Current, Saskatchewan played host to 385 oil men and women celebrating the 35th anniversary of the discoveries of Fosterton #1 (January, 1952) and Crown #1 (September, 1952) in the Dollard area.

Oil Timers gathered informally Saturday afternoon in the lobby of the Civic Centre, where six bulletin boards crammed with 1952 newspaper clippings, photos and other memorabilia inspired a lot of story swapping. Melinda Baum and the Oil Wives had painted a 16' x 32' mural placed at the entrance to the auditorium, with pump jacks, derricks, and black and gold balloons decorating the hall. O.T.S. hosted a wine and cheese party before the reunion ball.

Emcee for the evening's program was Don Wilcox, who introduced the mayor of Swift Current, and owner of Sage Oilfield Service, Len Stine; Minister of Energy and Mines, and MLA for Swift Current, Pat Smith; and Reunion Organizer, Mobil's own John "Hutch" Hutchinson. Ray Wickens, former Superintendent, introduced Ed Barroll (now retired), who was in charge of bringing in production at Fosterton #1, and became the first superintendent in Swift Current (1953-54). Ed presented Norm Elphinstone, the staff geologist on the Fosterton well. Introduced by Ray, Jim Kelly was district

engineer for the area in the 50's, and is now Vice-President, Mobil Oil Canada Ltd. One of the reunion's organizers, Glen Krueger, introduced Murray Todd and his wife, who gave a very informative overview, with a humorous slant, of life in Shaunavon at the time of the discovery of Crown #1.

An auction of commemorative belt buckles netted \$5,360.00, thanks to auctioneer Archie Phillips, former contractor in the area and now retired in B.C. Auction funds and other reunion profits will be used to provide another bursary for a Swift Current student in Engineering. After the program, music for dancing was provided by Tony Walmbalm and The Trend, of Regina.

Enthusiasm still ran high for Sunday's breakfast, with 370 attending. Nellie Lucien, of Calgary, officiated. Nellie, originally from La Fleche, worked as a secretary for Schlumberger in 1953-54. Her reminiscences entertained the Computalog bus on the way over, and continued right through to Sunday noon, when everyone headed for home.

Anticipating the 50th reunion in 2001, we are already planning a preliminary event (the 40th), so if anyone moves, send a change of address to Box #163, Swift Current, SK S9H 3V6. A video tape of last November's event is available from O.T.S.

## Giants *(Cont'd from page 1)*

Tracing the tortuous history of the search for large, firm markets for Alberta gas, he noted that producers knew by the early fifties how they were locked into a long term surplus position. They were reluctant to deal with TransCanada PipeLines when Clint Murchison of Texas brought this project to Canada. They felt that in effect they would be subsidizing eastern Canadian consumers, mostly in Ontario.

Most easterners had no real interest in financing western development and were quite happy to turn it over to the U.S. interests which were backing TCPL, which was accompanied ultimately by producer price concessions and a federal Crown corporation to finance and lease back the expensive northern Ontario section of the pipeline.

The political element in the TCPL approval was "not quick and dirty but prolonged and dirty" as C.D. Howe, the powerful minister of trade and commerce, pushed the national aspect of the all-Canadian line, ignoring the original 90 percent ownership by the Americans. He even urged the producers not to sign any sales contracts until TCPL was completed, but this initiative died when the Liberals lost the next election.

Regional tensions about government ownership were high. Alberta premier Ernest C. Manning always insisted that major pipelines should be built by private enterprise. He was strongly supported by the U.S. majors which were concurrently fighting nationalization all over the world. Manning had already "insulated" Alberta from federal control as far as feasible by licensing the Alberta Gas Trunk Line (now NOVA) pipeline grid system as the sole medium for moving gas out of Alberta.

Thus when the Pacific Gas & Electric group in San Francisco -- which included Bechtel Corporation, one of the world's largest construction firms -- presented its plan two years before completion of TCPL, the western producers recognized a natural business affinity with these companies. PGE was

also anxious to diversify its activities, so the concept had everything going for it from inception.

The proposal was for Alberta & Southern Gas Co. Ltd., a Canadian company, to purchase the gas, which would be transported to the border by an affiliate Alberta Natural Gas Co. Ltd., then to California by Pacific Gas Transmission Co., a new PGE subsidiary.

The principal negotiating problem in Alberta was to get the conservation board and the provincial government to release the 500 mmcf/d of gas required to initiate the project. A major factor in securing approval was that A & S raised the field price from five cents to 13 cents, thus forcing TCPL to match that price for its producers. Even at that higher price, Alberta gas was able to undercut existing sources marketing in California.

The promoters made the good mover of sending in their best team to live in Calgary while they worked on the project and on the Canadian regulatory process. Technical interaction was facilitated by the presence of so many American technical experts in Alberta and by the long distance from both Ottawa and Washington. The Americans quickly learned to listen to the Canadians, especially about government relations. There were no hidden "kickers" except the Alberta mandate that control of the system must remain with Alberta.

None of the promoters had any previous experience with long term gas purchase and transmission contracts. They had to depart from the original concept of a truly integrated one-owner pipeline, but the Alberta policy was vastly superior in precluding federal-provincial conflicts. PGT avoided Federal Power Commission intervention by ending its line at the California border.

In the result the Alberta-California pipeline was a big private works project that worked, despite all the difficulties of getting approvals and building it. The



California Public Utilities Commission thought at first that the 13-cent price was high, but it created producer goodwill and the pipeline came in under budget.

"The segmented formula has worked well", Wirth concluded. The supply side concept of releasing only gas surplus to Alberta's long-term requirements was matched by satisfying the CPUC requirement of a fully competitive California price structure.

## President *(cont' from p. 2)*

These meetings were quite well attended and the program will continue.

September 1987 also saw the publication of the Society's first newsletter under the able editorship of Peter McKenzie-Brown. This publication, later to be named "Archives", has been very well received by both members and the general public.

Work to resume the Petroleum Industry Oral History Project is well underway. Under the leadership of Betty Dale, final touches are being put on the formal project proposal document. Fundraising for a minimum two-year project will commence as soon as a Revenue Canada tax number can be obtained.

Also during the past year, the membership structure of the Society was changed, several new categories of membership were added and the fees for an individual member dropped from \$25 to \$10. As well, the Society offered our wholehearted support to the proposal to develop the Hell's Half Acre Interpretation Centre in Turner Valley and offered to collaborate with the Turner Valley Oilfield Society in areas where we have common objectives.

As I expressed earlier, the past year was a very successful one for the Society and from all indications, the coming year should be even more exciting and successful.

W.R.S. McLellan,

## Membership

### NEW MEMBERS

February 24 - April 14, 1988

### Corporate Members

Canada Northwest Energy Limited  
Syncrude Canada Ltd.  
Westcoast Petroleum Ltd.

### Individual Members

Bennett, Shirley  
Elphinstone, Norman  
Juchem, Debbie  
Putz, Douglas  
Rowland, Leslie  
Tippett, Clinton

## Kennedy *(Cont'd from p. 3)*

broke out and he reported on same to the New York Times, Christian Science Monitor, the Oil Daily, The Economist and broadcast on CBC radio for 12 years. He was subject of a "Guess His Accent" contest with the best entry among hundreds reading "who cares?"

For the next seven years he worked for the Sun newspapers as a daily energy columnist. He won the inaugural CPA National Newspaper Award in 1977, the API Kelly Award in 1984 and other rewards for his hard labors.

His first book "Quest" Search for Canada's Arctic Oil is out now. His second book will deal with Ron Southern and ATCO was c, and is scheduled for publication in the fall. He is a full time writer, and occasional columnist. He is involved in the promotion of Canada - Taiwan trade. Learning Chinese at present, and returning to the Far East this summer.