



War and Peace

By James Gray

James Gray gave a fascinating and at times impassioned talk about "our war for the Montreal pipeline". At the beginning, he presented some belief statements as a "professional Canadian," then went on to discuss the Montreal pipeline within that context. Following are some of the highlights of Gray's presentation:

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Annual General Meeting Featuring a presentation by Don C. Smith Oilweek's Phantom Cartoonist, 1973-1982

Time: 7:30 pm

Date: Wednesday, March 22, 1989

Place: Canadian Petroleum Association Boardroom
3800, 150 6 Ave. S.W., Calgary

Cost: No charge: wine and cheese will be provided

RSVP: Rhonda Boorman 269-6721 by noon, March 22

NEWS ITEM: Parliamentary recess
(holiday) ends.



"Well, it's right where I left it!"

I believe the essential function of an economic system is to serve the needs and interests of the citizenry. I believe that there ought to be an advantage to being Canadian in Canada, and I believe that these advantages ought to be available to all Canadians equally to the extent that it is physically possible....the right to supply the Canadian market ought to belong, in the first instance, to Canadians, whether the Canadians are oil producers, furniture manufacturers, shoe makers or car builders.

After the second world war, the market for gasoline expanded rapidly. In Alberta, the search for expanded markets began in 1950 when the Interprovincial Pipeline was built by Imperial Oil to Superior, Wisconsin. Alberta oil was soon being moved to Imperial's refinery at Sarnia by lake tanker.

But there was a problem. The price of oil. As the pipeline was extended eastward to serve the Sarnia and later Toronto refineries, the posted price paid to the producers in Alberta was cut drastically, from \$3.20 a barrel at the well head in 1948 to \$2.30 in 1952. The more we produced, the less we made. Moreover, the buyer did not pay the freight. The explanation from Imperial Oil was: in order to capture the refinery market in Sarnia, Alberta oil had to be reduced in price to meet the delivered price of Oklahoma crude in Sarnia. The producer's price for crude, even at the refineries in Winnipeg and Regina where Oklahoma crude was not competitive, was cut. It was something straight out of Alice in Wonderland.

About this time, George Furnival did a feasibility study that indicated that a pipeline built directly from Edmonton to Montreal could make Alberta crude competitive in Montreal with oil being supplied by Venezuela. When the Suez Canal became blocked, suddenly the whole world sat up and paid attention to oil supply and prices. Overnight, oil prices, which had been declining steadily, firmed and started to rise.

The situation did not last long. Within a matter of months oil was again flowing to Europe, and new fields in Algeria, Libya and Egypt opened up. The American oil lobby rushed to Washington to demand that President Eisenhower shut off the inflow of foreign crude, including Canadian crude to Puget Sound.

In Canada, during this time, the Conservatives had been elected and had set up the Borden Commission to investigate the Trans Canada Pipeline. When the Borden Commission reached Calgary, Bob Brown and Charles Lee went before it to urge that it expand its mandate to examine the future of the Canadian oil industry as well as the

feasibility of building the Montreal pipeline. They also introduced Walter Levy and the Levy Report as the star witness for the project.

The Levy Report can be summarized in two words - commercial preference. It described the need of the great integrated oil companies to find markets for their high profit concession oil with all possible dispatch. The subsidiaries in Canada of Standard Oil, Shell, Gulf, etc. refined the oil that was allocated to them by their parent companies and paid whatever price the parent companies decided to charge, depending on their commercial needs and preferences.

None of the Montreal refineries, therefore, could shift to other foreign crude or to Canadian crude even if it became available at distress prices. That would only force the parent company to find another market for an equivalent amount somewhere else in the world. What we required was government action to force the Montreal refineries to switch to Canadian crude oil.

The case for the Montreal pipeline was based on: (1) restoration of the economic viability of the Alberta oil industry; (2) an assured and safe supply of oil; (3) the creation of thousands of jobs with the pipeline; (4) an end to the drain on foreign exchange - \$350 million a year; (5) an increase in reserves and drilling activity in Alberta; (6) no increase in prices in eastern Canada.

The campaign we mounted was expensive and all embracing. We were routed, utterly, by the spokesmen for the international companies who used one argument: Canadian oil, they said, was expensive oil. Foreign oil was cheap oil. We lost every battle, failed to get the support of a single newspaper in eastern Canada, and yet in a way we won the war. The Borden Commission recommended that a National Energy Board be established to control the petroleum industry and the pipelines. Eventually, George Hees announced the adoption of a national oil policy: all markets west of Toronto were to be reserved for Canadian crude oil and that the owners of the Montreal refineries were to find export markets for Canadian oil equal to 250,000 barrels a day. When the international companies became convinced the government meant business, they went along. The quoted price of crude oil on world markets had nothing to do with it.

And, of course, I should add, an Alice in Wonderland system still prices the crude oil produced in western Canada. We have to pay the cost of getting our production to market, where the price is based, I am told, with a straight face, on whatever is being charged some place in west Texas.

Two Storytellers

Book review by By Peter McKenzie-Brown

Max Foran, **Earning Our Stripes: Fifty Years in Canada** (Calgary: Chevron Resources Publishers; 1988), 114 pages.

David Finch, **Dealmakers: Canadian Petroleum Landmen and their Association** (Calgary: The Canadian Association of Petroleum Landmen; 1989), 192 pages.

There is a romance about the oil industry that seems to attract the history buff -- so much so that the Petroleum History Society can boast of being the only society in Canada devoted to advancing the history of an industry rather than, for example, that of a community or locale.

The society consists of both professional and amateur historians and folks who just plain like the industry, but its members individually have done a great deal to help preserve petroleum industry history. For good or ill, during the last few years most published histories about the industry or about companies within it have been prepared for publication by history society members.

The books under review are cases in point. Released within days of each other in February, both were commissioned: The **SOCAL** history, by Chevron Canada; **Dealmakers**, by the Landman's association. Both authors have academic backgrounds in history and are dues-paying members of the Petroleum History Society. But there the similarities end.

Earning Our Stripes is a well-crafted, expensively designed, beautifully produced corporate history. Unlike a lot of corporate histories, it was prepared by a historian who was given a mandate to write history. There was no attempt to juice up the Chevron story; the temptation to make the book a promotional work extolling the company's virtues has been largely resisted.

Instead, Foran -- an ex-patriate New Zealander with a Ph.D. in history -- has researched the company's history from corporate archives and numerous other sources, and has placed it in historical context. The book is a case study of how the economic and technical life of Canada's petroleum industry has evolved since 1938, and shows in particular how the U.S.-based segment of the industry developed.

To his credit, Foran infuses the text with a wide-angle view of industry history. He deals with the minutiae of corporate life and the achievements of Chevron officers and other employees, as he must. But he puts this in the context of big discoveries and big issues: Despite its best efforts, Chevron missed out on the great early plays at Turner Valley, Leduc and Redwater, for example, but the

company was a big player in other important discoveries like Mitsue and was the pioneer in southwestern Manitoba. And, of course, it was Chevron that drilled the Hibernia discovery well -- an accomplishment which is often overlooked even now, scarcely a decade after the fact.

Likewise, Foran discusses the significance for the petroleum industry of the National Energy Program and other energy policies in solid historical fashion. He covers many other large financial and economic issues as well -- for example, the implications of the parent company's U.S.\$13.2 billion takeover of Gulf Oil Corporation in 1984.

Perhaps best of all for the history buff, **Earning Our Stripes** is well written and interesting to read, and is generally successful in making the key players at Chevron come to life. It is the kind of monument to a company's first fifty years that you would expect from a powerful, conservative and well-managed company like Chevron.

Dealmakers is a different kind of cat. While it was also commissioned by an organization that wanted its history preserved, its intent and execution have limited its value to the general reader. That is because the author's text -- which is both readable and informed -- serves primarily as bridging material between a vast number of quotes from petroleum landmen and other sources. Just as disconcerting is that Finch seems to have chosen not to edit his sources, but to use quotes complete with warts and wrinkles: Grammatical errors, spelling mistakes, poor usage and incorrect punctuation are all preserved, presumably in the interest of historical accuracy.

Finch does a good job in searching for interesting anecdotes in his source material and also in interpreting the association's history. But the end product is discontinuous and does not put the petroleum landman's story in a solid historical context. That said, **Dealmakers** does accomplish what the Canadian Association of Petroleum Landmen wanted: It gives a year-by-year account of the group's growth and development, and of the issues, the activities and the high jinks which have been part of the lives of the landmen (and, since 1974, landwomen) who are the shock troops of the Canadian petroleum establishment.

Particularly for the reader who is serious about petroleum industry history, **Dealmakers** is an essential addition to the bookshelf. But unlike **Earning Our Stripes**, it is more often a chore than a joy to read.

President's Report

In the November 1988 issue of this newsletter, I put out a call for assistance with the Petroleum History Society's attempts to obtain a Revenue Canada charitable donation number for the Oral History Project. I am pleased to report that Mr. Tim Davis, a lawyer and Society member, has agreed to under-take the task. With his assistance, we hope fund raising for the Oral History Project can commence in the spring.

The renewal of Society memberships is going very well. To date, almost two-thirds of the institutional members and more than half of the indi-

vidual members have sent in their renewals. Several corporations have increased their support significantly by becoming institutional members this year, when previously one of their senior employees was a sustaining individual member. This is very encouraging, as we are a small Society with ambitious objectives that require the support of corporations, institutions and government agencies in addition to the efforts and enthusiasm of individual members.

With support like this, 1989 should be the Society's best ever.

W. R. S. McLellan

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.S. McLellan (403) 290-2840.

History of the Petroleum Industry Symposium

The American Association of petroleum Geologists is sponsoring the first annual Symposium on the History of the Petroleum Industry in Titusville, Pennsylvania, September 17-20, 1989. The symposium is international in scope, with 16 invited speakers, a keynote speaker, and a luncheon speaker. Several countries will be represented. The inaugural theme is Exploration. The symposium will be an annual event, passing in turn, along to petroleum engineers, landmen, drillers, and so on. The proceedings will be published.

The setting for the symposium is in a beautiful area along Oil Creek, between Titusville and Oil City, northwest Pennsylvania. This was the first oil belt in

the United States. The Drake well (1859) is only a mile or so from Titusville, and the area has a museum and many traces of the early days of oil in North America, including ghost towns. Field trips, such as a train ride down the valley, will emphasize the oil history of the region and tie in with the geology.

Further information regarding the program, costs and accommodation are not yet available. More information will be published in our May newsletter. If you are interested in attending this event, further information will be forwarded to you directly as it becomes available, if you contact Bill McLellan at 290-2840 (office) or 288-9089 (home).

New Society Members

Institutional

Alberta Chamber of Resources
Alberta Patch Work
Esso Resources Canada Limited
Shell Canada Limited

Individual

Maureen Bradbury
David Breen
Douglas MacFarlane
Peter Savage
Cathy Zinkhofer

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