



**PETROLEUM
HISTORY
SOCIETY**

ARCHIVES

Newsletter of the Petroleum History Society

February, 2000; Volume XI, Number 1

if you missed...

**CANADA'S ENERGY WARS –
from an authority who was there,
participated, and survived!**

Wednesday, December 15, 1999 with
Hans Maciej, Canadian Petroleum
Association retired Vice President.

**.....you may have considered yourself
knowledgeable on the origins and
consequences of conflicts like the NEP,
regrettably the ignorance and betrayal
by governments is more shocking than
we chose to believe, as our summary in
this issue of Archives uncovers.**

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INSERT – Membership Renewal	

**Next Function – 22 March 2000: Annual
General Meeting, beginning 3:30 PM
Palliser Hotel. Guest Speaker: Kirk
Osadetz. Topic – “Geological Survey of
Canada: Have They Made A Difference?”**

NEXT LUNCHEON features

Aubrey Kerr, P. Geol.

Petroleum Hall of Fame Historian and
Distinguished Author

TOPIC

“Judy Creek and Beyond”

To commemorate the 40th anniversary of Imperial Oil's Judy Creek discovery, Pengrowth Management President Jim Kinnear commissioned Aubrey Kerr to write its story. Aubrey traces the origins of this Middle Devonian Reef giant to Pengrowth's 1997 strategic \$595 million acquisition. A giant by any standard, this reef reservoir is credited with 1.1 billion barrels of oil in place. Projected remaining reserves of 74 million barrels result in an estimated 41% recovery factor. Pengrowth's management, financial strength and state-of-the-art technology has targeted substantial upside for exploitation. Join us for an entertaining historical review from Judy Creek's infancy to adulthood!

Date: Thursday, February 24, 2000
Time: 12 noon (receipts at the door)
Place: Palliser Hotel – Canadian Pacific Room
Cost: \$20 for members, \$22 for guests

*Members - support your Society. Post this Notice for associates to join us for an entertaining Lunch!

RSVP to Clint Tippett, 691-4274 by Noon,
Monday, February 21. See you there!

THE PETROLEUM HISTORY SOCIETY
Calendar of Events and Daily Tips

Next Director's Meeting: March 01, 2000.

Annual General Meeting: Marquis Room Palliser Hotel, 22 March 2000. Board meeting 15:30 – 16:00, Business meeting 16:00 – 17:00, Guest Speaker/Reception 17:00 – 18:30. Call for award nominations as well as a call for volunteers for the Board.

New Oilpatch Books: Consider the challenges faced by Western versus Eastern Canadian oilpatch writers. Recent release "Hard Oiler!"(acronym for drillers) by Ottawa journalist Gary May shares SW Ontario drilling challenges at the turn of the Century; \$22.99, 260 pages - supported by Canada Council for the Arts, Ontario Arts Council, and Book Publishing Industry Development Program of the Department of Canadian Heritage! Western writers remote from Central attention can only dream of such assistance and without local market patriotism, persevere in spite of sacrifices.

Society E-Mail Address: petroleumhistorysociety@canada.com. All members with e-mail service please take a moment to send in your address to Bonnie Mech, Director, Membership Committee "bonnie_mech@pancanadian.ca" to build our file.

PHS Member Honored: E. E. (Ned) Gilbert recently received the prestigious J.C. Sproule Award from the Canadian Institute of Mining and Metallurgy (CIM).

Oral History Project: See 4th Q 1999 Report in this issue. CSEG is now planning to video-tape all their past presidents as an expansion of our PHS project.

June 2000 Field Trip: Scheduled for June 11 from 08:00 to 14:00. Members Aubrey Kerr, Clint Tippett, David Finch and Clark Siferd will serve as guides. This undertaking will be one of the Society's contributions to the World Petroleum Congress. Contact Clint Tippett at 691-4274 (Shell) for more information.

To All PHS Members: Current membership is 76 (34 paid up for this year) with 7 new memberships since last meeting. Includes 1 Corporate, 5 Sustaining and 12 Lifetime members. Historically membership totaled 225. Restoring this level during 2000 is and should be the goal of every PHS Member. We cannot expect industry or the public to achieve this milestone for us. If we are committed and share pride in our organization, we will do this. Accept this appeal to recruit new members (see insert).

Society Brochure: Impressive, redesigned and reprinted; available for distribution and use at functions such as World Petroleum Congress, Turner Valley Field Trip, Luncheons, National Petroleum Show. Be sure to pass on other promotional ideas.

2000 National Petroleum Show: 12–15 June. PHS will have a table. Members who have authored oilpatch books and wish to display/sell them at our table, contact Neil Leeson at 217-2974. Likewise, volunteers who can manage our table are needed.

Tip For The Day: (from *The 365 Stupidest Things Ever Said* by Ross & Kathryn Petras) "*I don't make predictions. I never have and I never will.*" Tony Blair, current British Prime Minister

CANADA'S ENERGY WARS: CANADA'S ENERGY POLICY – CONTRADICTION OR NATIONALIZATION

PRESENTED BY CANADIAN PETROLEUM ASSOCIATION RETIRED VICE PRESIDENT HANS MACIEJ
TO THE PETROLEUM HISTORY SOCIETY LUNCHEON MEETING – 15 DECEMBER 1999
(by Neil Leeson, Director, PHS)

Why in Canada, so gifted and revered, did we even have energy wars? Our government and national media continually tell us Canada is the “best” country in the world to live in. One could argue attributes comprising this stature, however energy self-sufficiency is a strategic advantage many industrialized countries only dream about. While basic strengths of nationalism are leadership and trust, neither would earn global envy during the history of our most tumultuous years of Canadian energy policy, 1972-1982. Without the integrity and determination of personalities and disciplines within Western Canada's energy sector, the health of the Canadian Petroleum industry, perhaps even Canada, might have remained in jeopardy and crisis to this day.

“A federal government document entitled ‘An Energy Policy for Canada’ issued in 1993 decreed: ‘Federal and provincial responsibilities and interests in the energy field are intimately interrelated. No national policy can be contemplated without the fullest of intergovernmental consultations and consensus...’ This paper also recognized the important role of the energy producer in the policy formulation process. On budget night May 6, 1973 the federal government introduced severe tax measures, including the taxation of royalty payments to provincial governments. The noble words about consultation and consensus, however, were soon forgotten when the federal government on September 4, 1973 announced a so-called voluntary oil price freeze to be followed 9 days later by the introduction of an export tax on crude oil of \$0.40/bbl. Subsequent moves and counter moves resulted in the first “energy war” between Ottawa and the producing provinces with the oil and gas producers as the meat in the sandwich. None of this related to OPEC action. Alberta counter-moved October 4, 1973 with:

- cancellation of the Alberta Oil revenue and Royalty Plan, effective the end of 1973 (was to last till end of 1977);
- unilateral elimination of all maximum royalty provisions in all leases;
- introduction of a new royalty system – price related rather than production related.

Prime Minister Trudeau announced December 6, 1973 the new national oil policy was “designed to reach Canadian self-sufficiency in oil and oil products before the end of this decade”. At a luncheon March 4, 1974 Premier Lougheed, against advice of the Petroleum industry, his own advisors and despite federal warning, told the Prime Minister Alberta planned to implement a 65% surroyalty on oil, to be introduced April 1, 1974. The Liberal budget of November 18, 1974 made some concessions but retained the principle to tax provincial royalties, as Premier Lougheed claimed “the biggest rip-off of any province that's ever occurred in Confederation's history”.

The first energy war did not end until the end of 1975 after the federal government introduced price increases for crude oil and natural gas and, most importantly, recognized the role of royalties paid prior to the price upheaval as a legitimate business expense (via a 25% resource allowance effective January 1, 1976).

Although oil and gas prices were kept well below world prices, the industry recovered and the 1976-1980 period saw record investments by the upstream sector in the search for new oil and gas. On November 12, 1979 the young Progressive Conservative government unveiled its National Energy Strategy: Energy Self-Sufficiency by 1990; reliance on the private sector and the market; a new oil and gas pricing schedule to move Canadian prices closer to world prices; and increased Canadian ownership and participation. These measures...anchored in the December 11, 1979 budget. The government was defeated on the budget resolution; Liberals returned to power.

On budget night October 28, 1980 the government introduced its National Energy Program which elevated the disagreement on pricing and taxation between Edmonton and Ottawa to “Energy War II”. It was a manifesto of profound importance...a forced and quickly paced restructuring of the Canadian petroleum industry, putting two other elements well ahead of secure oil supplies: revenues for the federal Treasury and Canadianization of ownership and control of the oil industry in Canada. These two factors, indeed, work against sufficiency of oil supply. Subsequent measures further damaged the industry and economy, leading to the largest outflow of Capital in Canadian history...227 drilling and 107 service rigs, valued at over \$1 billion. The government's original contention that “no national policy can be contemplated without the fullest intergovernmental consultations and consensus...bilateral and multilateral discussions deserve the most sustained and determined effort...” was correct. The price Canadians paid for this economic experiment was huge and stands as a lesson for the future.”

PETROLEUM INDUSTRY ORAL HISTORY PROJECT:

Phase II – Quarterly Report, period ending December 31, 1999

by David Finch, Interviewer/Project Manager – Oral History Project (edited by Neil Leeson, PHS Director)

OVERVIEW:

Oral History Project Phase I operated from 1981-1985, collecting over 200 interviews with key individuals instrumental in developing the Canadian oil and gas industry. Phase II began operation in October 1999, reviving and continuing the process of recording and transcribing stories of these important pioneers. An additional 100 interviews are planned, relying on Petroleum History Society seed funding, Canadian Society of Exploration Geophysicists (CSEG) grant, Alberta Historical Foundation matching grant, and assistance from the Glenbow Archives and *Oilweek* magazine.

INTERVIEWS CONDUCTED DURING THIS PERIOD:

CSEG appointed member Gerald Sykes to assist this project by identifying geophysicist to interview (to date 27 candidates) and is a continuing influence in the process.

We began by videotaping a specially funded interview with Ted Rozsa for the 50th Anniversary of CSEG. Ted came to Canada as a Shell employee in 1950 but soon formed one of the early geophysical contracting firms to meet seismic information demand in the post-1947 Leduc oil boom.

Ned Gilbert was Sun Oil's first Canadian employee and instrumental force in Sun's investment in tar sands development. Trained as a geologist, Ned became widely known as a landman after coming to Canada in the early 1940s. Although retired, Ted continues his passion by consulting to the industry.

Wilf Baillie ventured into the Canadian Arctic and Columbia applying the early geophysical tools in the energy search. At one time he partnered with Ted Rozsa before heading overseas to pursue Indonesian exploration opportunities.

George Longphee learned seismic exploration skills working for Dr. Cam Sproule at Imperial Oil. Contracting also raided him from the corporate fold and George formed Beaver Geophysical Services, pioneering the use of foldable camps to improve geophysical crew mobility in the North.

Peter Savage began his geophysical career searching for petroleum in New Brunswick. Shell brought him West and he eventually spent time in the bush as a contractor. Peter was a partner in Canadian Magnetic Reduction, a data processing firm, before joining PanCanadian as Chief Geophysicist. As Exploration Manager, he concentrated his efforts in Canada, Italy and Australia.

Dick Baillie, Wilf's brother, also worked for Ted Rozsa in 1950. Dick went on to form his own contracting companies, surviving Canadian oilpatch cycles by keeping his operations small, avoiding expansion during booms and staying afloat during busts with long-term contracts.

Harold Farney began working with southern U.S. seismic crews in the early 1930s, arriving in Western Canada in the early 1940s. Considered the "grandfather of the seismic industry", 90 year old Harold's recollections span the entire evolution of this science.

TRANSCRIBING:

Ms. Lennie Rae is the project transcriber and has completed 20 interviews to date. Besides typing complete texts of each interview, Lennie is finishing transcribing interviews created by Phase I.

CSEG VIDEOTAPED INTERVIEWS:

Additional CSEG funding will enable videotaping of several key organization members.

PROJECTED COURSE OF WORK – 1st QUARTER 2000:

Goal is four interviews per month, with expectations of 30 additional transcriptions completed. In conjunction with editor Gordon Jaremko, *Oilweek magazine* has offered to publish brief excerpts to create a series of articles. Now that photos are included with each interview, future text will include illustrations. Jeff Collins of CBC radio has indicated an interest in publicizing our project on his morning radio show. Judy Wish, Director of Government & Public Affairs at the Canadian Petroleum Products Institute (CPPI), has also expressed interest. The project's objectives were outlined in our December 1999 letter to Judy. CPPI Board of Directors has been solicited to create an interview candidate list in the downstream sector.



1998 BEST BOOK Award to Gary May for "Hard Oiler!"



1998 BEST ARTICLE Award to Professor Hugh Grant

1998 MULTI-MEDIA Award to Rick Smith, Heritage Park

1998 PRESERVATION Award to Dennis Hyduk, Prov. Archives



LIFETIME ACHIEVEMENT Award to Peter Foster, accepted in his absence by longtime friend and oilman Bob Lamond

Guest Speaker Professor Hugh Grant – topic "Refining in 19th Century Ontario"

All Awards introduced by PHS President Clint Tippett and presented by PHS Vice President Dag Nilsen