

ARCHIVES

Newsletter of the Petroleum History Society

May 2016; Volume XXVII, Number 4

P.H.S. Lunch and Learn Meeting – Wednesday, May 4, 2016
**International Petroleum Company Limited:
Canada's Gift to the World Oil Industry**
by Dr. Graham D. Taylor, History Department, Trent University

In 1914, Standard Oil (New Jersey) made its first major investments in Latin America, in Peru, and shortly thereafter, in Colombia. For strategic reasons Standard Oil set up these ventures through a Canadian subsidiary, Imperial Oil, establishing the International Petroleum Company. As a result, over the next three decades Standard's operations in these countries featured a complex set of relationships involving the host countries of Peru and Colombia, but also its own subsidiaries that became integrated companies in their own rights. In addition, Standard Oil, which had initially intended to develop oil supplies for its domestic (American) market, became increasingly tied to the growing markets of the two host countries. This study indicates the complicated nature of foreign direct investment undertakings and the unintended consequences of multinational enterprise strategies. *See p. 3 for speaker's bio.*

Time: Time: 12 noon, Wednesday, May 4, 2016
Place: Calgary Petroleum Club
319 – 5 Avenue SW, Calgary; Cardium Room (but check marquee)
Business casual dress.
Cost: P.H.S. Members and Student Members \$30 and Guests \$35 (most welcome).
Only cash or cheque at the door. Payment can be made in advance by credit card
or by e-mail. Please advise payment method with reply.
Lunch: Soup, sandwiches and cookies. Gluten-free? Vegan? Advise with reply.

NOTE: Instructions for registering for the Luncheon:

Reply, if you wish to attend, to: Micky Gulless at 403-283-9268 or
micky@petroleumhistory.ca by noon, Monday, May 2, if not sooner.

Those who register but do not come, or cancel after the deadline, will be invoiced.

Those who do not register by the deadline may not get a seat.

The Bull Wheel



Call for contributions and speakers: The Petroleum History Society values your input. If you have an article that you'd like to see in *Archives* or if you have a talk that you'd like to give, please be sure to get a hold of us. Contact President Clint Tippett at the address indicated on page 3.

Upcoming P.H.S. Events:

June 1, 2016: Luncheon with Chris Turner (author) on the use of the P.H.S. Oil Sands Oral History Project records in the Glenbow for the research involved in his forthcoming book on the oil sands.

Free Student Memberships Now Available: The Petroleum History Society offers free membership to full-time students until the end of the year in which they graduate. They will receive the same benefits as regular members – *Archives* newsletters and invitations to our events. Membership applications are available at:
www.petroleumhistory.ca/about/index.htm#join.

Donations to the P.H.S. for 2015: Membership coordinator and Treasurer Micky Gulless has provided us with a list of members who made generous donations to the Society during 2015. These folks are Art Patterson, Antoine Vanden Brink, Micky Gulless, Adam Hedinger, David Barss, Roy Lindseth, Rick Green, Jeff Mackie, Dick Haskayne, Uldis Upitis, Gordon Wells, Charlie Stelck, David Hargrave, Doug Stoneman, Gerry Maier, Earle Gray, Len Maier, Adriana Davies, Charlie Fairbank and corporate member Joshua Groberman with BOE Report/Grobes Media Inc. Our belated thanks to them for their support!

Giving Credit where Credit is Due: While waiting for the Annual Meeting to begin at the Petroleum Club on March 30, your correspondent had time to take note of the room names in the Club. These are names of the parts of the geological stratigraphy that host most of the major oil and gas accumulations in Western Canada, specifically the Montney Room [Triassic], the Midale Room [Mississippian], the Bluesky Room [Cretaceous], the Shaunavon Room [Jurassic], the Devonian Room [obvious], the Woodbend Room [Devonian], the Viking Rooms A and B [Cretaceous], the Cardium Rooms A and B [Cretaceous] and the McMurray Room [Cretaceous]. The only aspect that is a bit out of place is that the upstairs Devonian Room [older] sits on top of the main floor McMurray Room [younger]. Perhaps this is to recognize the significance of overthrusting as a structure and trap mechanism for gas pools in the Foothills. The Trophy Lounge is understandable but the Renfrew Lounge's origin is not clear.

Speaker Biography for May 4: Dr. Graham D. Taylor is Professor Emeritus of History at Trent University, Peterborough, Canada. He has numerous publications on Canadian and international business history in journals such as *The Business History Review*, *Business History*, and *The Journal of Canadian Studies*. His books include *Du Pont and the International Chemical Industry* (1984), with Patricia Sudnik, and *The Rise of Canadian Business* (2009).

Heritage Park: The March-April 2016 issue of *Canadian Antiques & Vintage* magazine contains an article titled “Heritage Park Historical Village, Calgary, Alberta” by Guylaine Spencer (pp. 14-15). It features seven interesting aspects of the Park but unfortunately the Dingman replica drilling operation and equipment collection are not amongst them. Likewise a souvenir glass mug featuring the Park purchased recently includes many of the highlights of this venerable institution – but also neglects the petroleum component. Perhaps something needs to be done to restore the shine to the Park’s oil and gas connection and to offset this “poor cousin” condition. Maybe they will use some of their new parking revenues to do that.

Biting the Hand: The March 24 issue of the *National Post* reported that *“The Rockefeller Family Fund said on Wednesday that it will divest from fossil fuels as quickly as possible and “eliminate holdings” of ExxonMobil Corp., saying that the oil company associated with the family fortune has misled the public about climate change risks. The U.S.-based charity will also divest its coal and Canadian oil sands holdings. Though the endowment was a modest US\$130 million in total assets, the move is notable because a century ago, John D. Rockefeller, Sr. made a fortune running Standard Oil, a precursor to ExxonMobil.”* This group is right up there with the Pew Foundation (originally bankrolled by Howard Pew, the founder of Sun Oil of Suncor fame) in fighting the petroleum industry at every step. We can only wish them well in selling their holdings at the bottom of the market.

Blaming the Frac: Last summer, before the full impact of the crash in prices was felt, it was reported that the lure of lucrative jobs had created fallout in the educational realm, specifically that it *“had fueled a structural transformation in local economies across diverse swaths of the United States”* and *“has had the additional consequence of generating higher high school dropout rates among teenagers, particularly young males whose employment prospects it has more greatly affected.”*

I hate it when that happens: Oil slump spinoff: obesity. Apparently job loss can trigger “stress-related psychological responses”, slowing metabolism and increasing cravings.

Editorial Comment: Please note that unless otherwise indicated, all contents of this newsletter have been created or assembled by P.H.S. President and *Archives* Editor Clinton Tippet.

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**CITATIONS FOR
2015 PETROLEUM HISTORY SOCIETY AWARDS**
(as announced at the P.H.S. Annual Meeting, March 30, 2016)
Congratulations to all of the winners!

BOOK OF THE YEAR AWARD FOR 2015 TO:
DON GILLMOR FOR:
"LONG CHANGE"
PUBLISHED BY RANDOM HOUSE CANADA, 353 P.

ARTICLE OF THE YEAR AWARD FOR 2015 TO:
GRAHAM D. TAYLOR FOR:
*"UNDER (CANADIAN) COVER: STANDARD OIL (NJ) AND THE
INTERNATIONAL PETROLEUM COMPANY IN PERU AND COLUMBIA,
1914-1948"*
PUBLISHED ONLINE IN :
MANAGEMENT AND ORGANIZATIONAL HISTORY, 17 P.

MULTIMEDIA AWARD FOR 2015 TO:
BERNIE BROWN FOR:
*THE CREATION AND WIDESPREAD MARKETING OF A BODY OF ARTWORK
FEATURING EVERYDAY WORKING LIFE IN THE CANADIAN OILPATCH, ITS
HISTORY AND ITS COLOURFUL PERSONALITIES*

PRESERVATION AWARD FOR 2015 TO:
CALGARY HERITAGE AUTHORITY FOR:
*ENCOURAGING AND SUPPORTING THE IDENTIFICATION, PRESERVATION
AND AWARENESS OF HISTORICALLY-SIGNIFICANT BUILDINGS AND LAND
USES IN CALGARY, INCLUDING THOSE THAT HAVE PLAYED A ROLE IN THE
EVOLUTION OF THE CANADIAN PETROLEUM INDUSTRY*

LIFETIME ACHIEVEMENT AWARD FOR 2015 TO:
GRAHAM CHANDLER FOR:
*CREATING NUMEROUS CONTRIBUTIONS TO THE LITERATURE
CONCERNING THE CANADIAN PETROLEUM INDUSTRY INCLUDING MANY
FOCUSSED ON ITS HISTORY AND EVOLUTION*

BIG THINGS HAPPEN IN SMALL PLACES

A speech to Annual Meeting of The Petroleum History Society,
Calgary, March 30, 2016 by Charlie Fairbank

*Many thanks to Charlie for the speech and for permission to reprint it here.
And to David Finch for arranging Charlie's involvement and for getting this transcript.*

I was fortunate enough to be born into an oil family in that fabled town of Petrolia, Ontario. Cradled in the smell of oil and rocked to the music of jerker lines, I grew up to enjoy the town's many characters and exotic oil drillers who had travelled the world looking for oil. Occasional trips to our oil field in Oil Springs with my father involved listening to interminable conversations with the foreman. I was interested but uninvolved. When invited to join the family firm I declined. I left Petrolia for school and urban adventure, but at loose ends a few years later, I returned home. One spring day I was dropped at our oil field with a shovel and instructions to drain water from the land. Within an hour I was captured, bedazzled and enraptured by the place. I felt compelled to work this land.

My father who had managed decades of falling production and rising costs was appalled. Protective for me, he expressed something the poet Wordsworth had intelligently written: "This is a work of waste and ruin, consider Charles what you are doing." We compromised. I would find a profession as a safe haven for my ultimate failure in the oil business. I became a teacher and returned three years later in 1974 to learn about oil. By a curious quirk of fate, within a month of my arrival home the Arab embargo sent the price of oil skyward. It is no credit to me we are still operating as the heavy lifting was done by my father. He graduated as a Petroleum Engineer from University of California in Berkley and was on his way to Peru with the International Petroleum Company, when his mother called. It was 1932 and the family was facing interesting financial problems. Dad agreed to spend a year stabilizing operations. He never left.

In the 1890s, my great-grandfather was the largest oil producer in Canada. Today, with similar production I am among the smallest. When I nefariously suggest raising the price of oil by restricting my production people snicker. Present world demand consumes my annual production in 19.8 seconds. But I am here today not to crow about productivity, but rather to indicate how events that began 167 years ago in Ontario have led to an exceptional cultural landscape. Forty-five minutes southeast of where Lake Huron flows into the St. Clair River lies the village of Oil Springs, a community of 700 souls and the site of The Oil Museum of Canada. The museum's location has been a National Historic Site since 1925, and renowned as the place of the world's first oil well. Today, it is also well-known for its exhibits, archives and treasures brought back over 70 years from 86 nations, by 500 international drillers from Oil Springs, Petrolia and Bothwell. The museum opened to great fanfare in 1960 with generous help from Canadian Oil, the Petrolia refinery of White Rose fame.

Remarkably, looking west of the museum, the world's oldest oil field still pumps on. We have continued to operate for 158 years, by using steam-age technology. Although the heavy horses left our fields 60 years ago, the landscape retains the imprint of man and horse that created an industry together. We use a multiple pumping system called "the jerker line" that was introduced by my great-grandfather in 1863. The system delights the senses. We see six miles of white ash wooden rods strapped together and suspended by steel hangers to pull wooden pump jacks, 12-foot teeter totters, at a leisurely pace, 11 strokes a minute, to pump oil. Willy

Shakespeare, overwhelmed, remarked, "For many a glorious morning have I seen, flatter the jerker lines with sovereign eye." Often when conditions permit, the lines squeak and joyfully sing as they work, creating a Bach fugue. John Donne, enraptured, mused, "Ask not for whom the jerkers sing, they sing for thee". The perfume of oil pervades the nostrils, and provides an exceptional aromatic and bracing tonic.

There is much more to the Oil Springs field than what you see. The early history of oil production remains beneath the ground. The dug wells of the beginning, the gushers, and the underground tanks rest undisturbed. UNESCO's World Heritage language for determining outstanding universal value would certainly apply. The oil field is an outstanding example of a technological ensemble and landscape which illustrates significant stages in human history. Any discussion of the history of oil begins with the knowledge that the planet has been bleeding crude long before ancient times and it had been used for many purposes. But to modern eyes, its uses appeared as candles guttering in the night.

In 1818, a Tennessee salt well was ruined by a gusher of petroleum. Devil's Tar they called it. Useless stuff except for asphalt or medicine. Our First Nations were much wiser; they used crude as preventative for cholera. Apparently it was also good for scurvy, scabs and knife wounds. In 1849, Governor General Charles Cathcart sent a sample of bitumen from the East Gum bed of Oil Springs to the Geological Survey of Canada. Sir William Logan's assistant, Alexander Murray, investigated. Shortly after, the brothers Charles and Henry Tripp arrived and bought 1,500 acres of land containing two bitumen beds and six natural oil springs. They began to make asphalt and petitioned parliament for a company charter.

The charter for the first incorporated oil company in the world was granted December 18th 1854 to their International Mining and Manufacturing Company. Their asphalt was exhibited at the Paris Exhibition of 1855 and won an honourable mention and also an order for seven boat loads of asphalt for the streets of the city. Authorities recognized that an enraged public could not throw asphalt at police as readily as paving stones. Queen Victoria visited the exhibition and was so charmed by William Logan she knighted him.

It is no wonder the Tripps' asphalt business failed the following year. The railroad would not reach Wyoming, 12 miles north, for another two years. The road from Oil Springs to the railhead further west was horrible, "that slough of despond through the dank dark woods". Sometimes, it is suggested that the Tripps were not astute business men. But they were trying to serve the existing market which was for asphalt. On the eve of discovery of other uses for bitumen and crude, they had sent a sample of gum to three knowledgeable men: McIlwraith of the Hamilton Gas Works, geologist Thomas Antisell in the U.S. patent office and Sterry Hunt of Canada's Geological Survey. All three suggested its use as a source of gas light, while Antisell also recommended burning fluid. At this time, a market was being developed in factories and cities for gas light from the destructive distillation of coal. And Abraham Gesner, that great Canadian, had by this time conducted countless experiments on Trinidad Pitch, albertite, and bitumen to produce a burning fluid, which he called kerosene. The population needed a cheaper and better source of light than whale oil, and a safer one than camphene which maimed and killed when it blew up.

The Tripp brothers sold their land to James Miller Williams who was intending to distil the bitumen and later the crude into lamp oil. Williams, with Tripps' help in 1857, abandoned an attempted well near Bothwell when the casing they were trying to drive broke.

Finally, in July of 1858 Williams succeeded. "Eureka," the newspaper gushed, "an important discovery has been made while digging a well at the edge of a bed of bitumen men struck upon a vein of oil - an almost inexhaustible supply of wealth." Williams very quickly distilled crude into kerosene and advertised it for sale.

Many claims exist for the start of today's industry. However, we the enlightened, recognize that the birth of our modern industry began with the Williams well. Pennsylvania in August of 1859 has been proclaimed with great bluster as the true beginning. And the world has generally agreed. We should not neglect the fact that Williams was producing oil and refining Kerosene over a year before Drake's well came in.

I confess to a delicious delight when I suggest to Americans that Drake must have carried a lamp burning kerosene from Oil Springs when he went at night to check the progress of his well. In addition we cite a Canadian, Abraham Gesner, that Rumpelstiltskin who conducted over 2,000 experiments to spin crude oil into kerosene and set the stage for an energy revolution. And finally, during the development of the modern industry, while Americans were happily at home drilling in their prolific and numerous fields, Canadians with only three small over-drilled fields in Lambton County took their technology worldwide and passed their knowledge on to others. Six men from Petrolia drilled the discovery well in Iran in 1908. One of those drillers, James Sanson, built the Petrolia house where my sister lives.

William's well started an oil rush. Leonard Baldwin Vaughn's flowing well of 1860 in Oil Springs accelerated activity. Local rumour suggests the 18-year old Crown Prince Edward visited the well during the first Royal Tour. The press was agog. George Brown, a father of confederation, founder of Bothwell and owner of the Globe newspaper, was happy to satisfy demand with vivid accounts of activities. From the Globe 1861: "There cannot be less than 1,600 people together at this spot. Thrown together suddenly in the wood, they have experienced great hardships. Close by the principal hotel, runs a small sluggish flowing stream. In it, the diggers, covered with oil, washed their dirty selves, swilled the mud off their boots, and quenched the thirst of their horses. From this ditch also was procured the water of which tea and coffee were made and in which their fat salt pork, the staple article of food for long months was boiled. "Although liquor is sold at most of the houses, there is scarcely any drunkenness. No rows have taken place, knifings and shootings are entirely unknown.

"The nasty Black Creek aptly named - winds its way slowly along its narrow channel, between banks covered with derricks and well charred stumps, piles of barrels filled with the unctuous fluid and mounds of sand and clay. Oil Springs looks like a small edition of South Staffordshire, quite as dirty and smelling a great deal worse. "In contrast. I came across a well every few rods. There in the wild woods were hundreds of men, all quiet, intent on their work. There was no talking but the tramp, tramp, tramp went the foot. Click, click, click the sharp sound of the drill as the steel bit its way in the rock. "There is no doubt of it - a source of wealth is in our midst - an oil territory richer than any discovered - and we Canadians won't let ourselves know it until people from another country come in and take advantage of opportunities that we let slip." My great-grandfather's diary of 1861 and letters home also give an insight to the times. By 1861, about 400 wells had been dug to the rock 40 to 70 feet in depth. They were five-foot square and cribbed with flattened logs to prevent caving.

The work was dangerous. "Fearsome accident at Bradwick's surface well by which Mr. Donaldson and two of his sons were killed and a son of Mrs. Abbey. Cause explosion of gas probably from lighting a match in the well. Donaldson and one son not out of well yet". Many of the producers had their own refineries – simple eight-barrel stills with a horse-driven agitator where sulphuric acid and caustic were added to clarify the product.

J.H. Fairbank was not fond of them. "Oct. 18, 1862: About as miserable a day as I ever put in, run till dark and quite fully resolved that I won't run a damned leaky oil kettle that acts as if it could go up any minute, for love nor money - don't want to become as nervous as an old maid and feel like a coward all the time. I am down on the thing and won't stand it anyway. Can stand work as well as anyone but damn a leaky still. Them's my sentiments."

"Nov 14. Port Huron works exploded a barrel of benzene with much noise. All hands went over, no one hurt, no damage done."

"Nov 18, 1863: Old well – good boy - have done big the 24 hours ending today at noon some 45 barrels. Net profit of day \$150 a big day's work, the biggest ever made by me or probably that I ever shall make."

"Feb.11, 1863. Poor H.N. Shaw drowned in his well today. In him I have lost one of my best friends in Enniskillen. A good man and most obliging neighbour. Sad, sad, sad calamity."

And Oil Springs was much famed for its gushers. The excitement began in 1862 when the Shaw (John) well blew in at 2,500 barrels a day. As Alexander Winchell wrote in *Sketches of Creation*, "There is no quarter of the world where the production has attained such prodigious dimensions as in 1862 upon Oil Creek in the Township of Enniskillen, Ontario." Thirty-five wells came in ranging from 500 to 7,500 barrels a day. The price of oil dropped from \$10 to 10 cents a barrel. Winchell estimated 5 million barrels flowed down the creek that year. Sir Stanford Fleming, after his visit to Oil Springs in the spring of 1863, estimated a more realistic 160,000. More recently, a geology professor looking for evidence of the spill in river sediments did not find it and instead realized that the river had been carrying oil for thousands of years.

In a letter to Edna, dated March 16, 1862, J.H. Fairbank wrote, "Once more at my old quarters in the land of oil I hurl ink and paper at you. I have some hopes that an arrangement can be made by oil men that will establish the price of oil at \$1.00 soon. If men were not so selfish and such fools they would sell just as much at \$1.00 as at any lower price. But any arrangement must be unanimous and such a thing is difficult." We have to wonder at the validity of William Blake's statement: "The road of excess leads to the palace of wisdom."

Dec. 3, 1865: J.H. Fairbank to his own dear wife Edna who refused to join him in "that hole" Oil Springs. "I do a good deal of thinking, on this occasion, it's about half Edna and half oil. Are you jealous because you only get half? Well you see you ain't here and the ile is all the time, and relations with it are very intimate. And here is Charley boy pulling my whiskers, then rap, rap, rap from the mud and rain in came Kirby escorting two men from Michigan to buy a piece of Oil Land. They evidently have it on the brain, walked through the mud to be in time. A little talk and we agree - for \$6,000. And so it goes and does it rain hard. When will Edd be with and near me?" Shortly after this entry he disembarked for Petrolia where Edna joined him.

Permit me to reprise and give J.H. Fairbank's brief account of Lambton's early oil history.

“During the years 1862-63-64 the infant Petrolia slept, while Oil Springs budded blossomed, bloomed and faded. Its rocks poured forth rivers of oil, and the oil ran down the river. In those days there was no railway, no highway no pipeline. From Wyoming by Petrolia was only one long mud-hole. It was 12 miles long and of uncertain depth. Oil men met – met frequently – and passed resolutions. Americans ballasted with greenbacks invaded.”

Deeper production in Petrolia had some muscle to it when J.H. arrived in 1865. The following year Petrolia awoke with a start when the King Well blew in and led to the town becoming the oil capital of Canada.

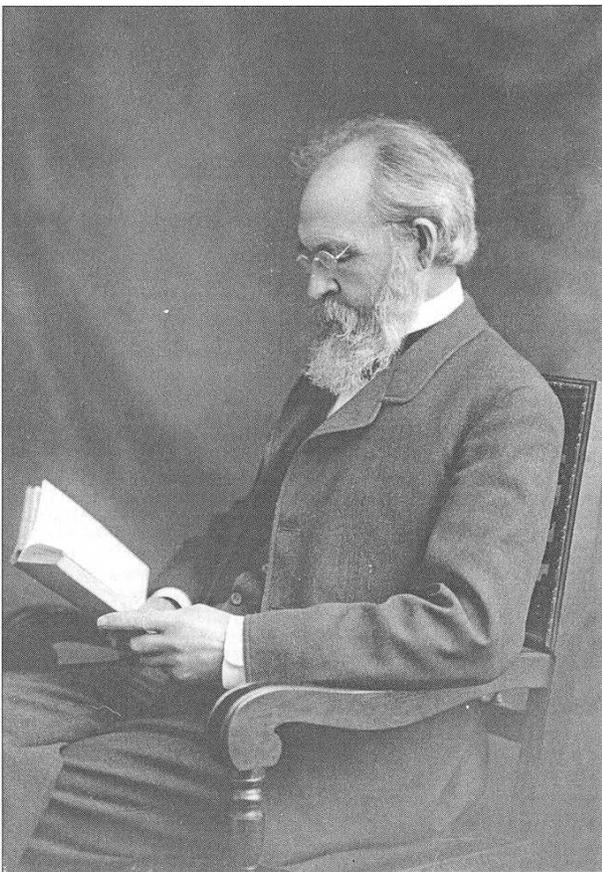
The oil producers had learned from their experience with the intolerable roads to Oil Springs. They cooperated with the Great Western to build a spur line to the railhead at Wyoming. Belatedly, they realized that they had created a profit-maximizing monopolist and much of the refining capacity was going to East London, the site of a competitive railway. Oil refined in London from Petrolia crude cost \$30 a carload, while the same oil refined in Petrolia and shipped over the same tracks cost \$40. As an aside, Imperial Oil was formed on April 30, 1880 as a merger, a co-partnership of four companies all London East refiners save Jacob Englehart and Isaac Guggenheim’s Silver Star refinery in Petrolia.

Finally, in 1878, a competing railway came to Petrolia from the south. The newspaper reported: “A gala day for Petrolia and right worthy is she of it. After being at the mercy of the Great Western Railway for the last twelve years, during which time she has been bled of the last cent that could be taken from her, she is now able to throw off the yoke of railway monopoly and oppression, and assert her independence and just claims for a fair show in railway freights and competition for that product of which she alone in the Dominion is the producer. Petrolia never does things by halves. Over two hundred attended the celebratory banquet until 4 o’clock in the morning. It is rumored that one or two of the oil refineries in London East will be removed to Petrolia, in consequence of the opening of the new railway between Petrolia and Oil City.” In 1883 Imperial Oil moved to Petrolia.

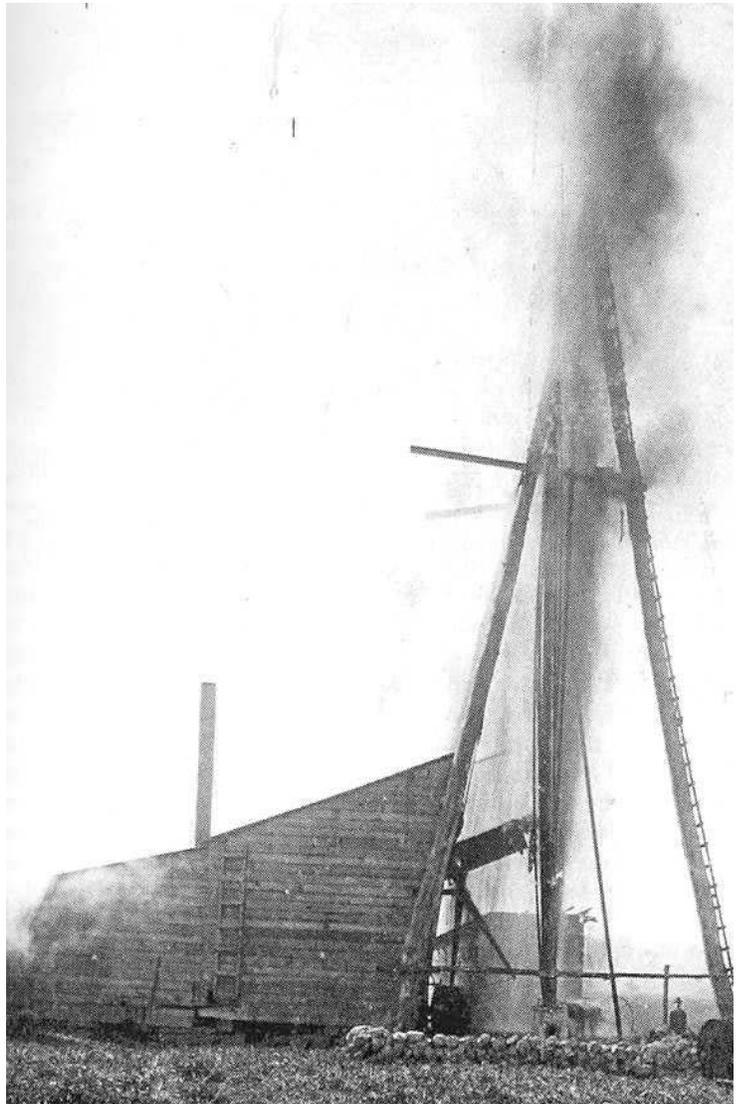
Canadian crude suffered from its sulphur content. As a consequence, Imperial Oil, in 1883 hired Herman Frasch to develop a solution, but two years later he left to buy his own refinery. In 1888, he received the patent for “Refining Canadian and Similar Oils”. Canada did not use the Frasch process until 1898. Standard Oil had purchased the rights to sweeten Ohio’s sour crude. Tariffs protected the domestic oil industry from competition, but by 1890, 20 per cent of kerosene was coming from Standard Oil. Canadians wanted a better and cheaper kerosene and Rockefeller wanted access to the Canadian market. The federal government of Laurier capitulated and made a political orphan of J.H. Fairbank.

Imperial Oil’s efforts, since 1895 to sell itself to British investors collapsed. On July 1, 1898 Standard oil acquired Imperial Oil and moved the company from Petrolia to Sarnia. In South America, a Canadian Oil Company was considered more benign than the stridently American Standard Oil. As a consequence, IPC, the International Petroleum Company head office was in Sarnia. It successfully explored for oil in South America: Peru, Colombia and Venezuela. One hundred and eighty million dollars in dividends flowed to Imperial in Canada principally to fund its Alberta oil exploration.

Which of course led to Leduc.



Primitive oil fields led J.H. Fairbank into commercial fortune. In a pensive mood in his later years, he looks back over a strenuous and rewarding life.



The original John Fairbank on the left with an Ontario nitro-induced “blowout” on the right.