

PETROLEUM INDUSTRY ORAL HISTORY PROJECT  
TRANSCRIPT

INTERVIEWEE: Ken Germond

INTERVIEWER: Susan Birley

DATE: June - July 1984

SB: It's June 19<sup>th</sup>, 1984, and I'm interviewing Mr. Ken Germond in his office in Calgary. Mr. Germond, I wonder if you could just begin with telling us when and where you were born and a little bit about your early background?

KG: Well, I'm a native Texan, born in Waco, Texas, educated in Texas until I went into the Navy in 1942. I spent 3 ½ years in the U.S. Navy as an officer attached to the Naval Aviation and Navy Intelligence, doing photo intelligence from aerial photographs.

SB: Did you ever run across Clare Nabors??? in Waco, Texas.

KG: Well, I knew Clare's sister. Clare was just enough ahead of me in school to where I didn't know him at all and his sister was a year or two older and we were acquainted, at least by name, we lived in the same quarter of the city. But I didn't meet Clare until I came to Calgary, although I followed behind him in several of the drilling areas of the eastern United States, Mississippi and south Louisiana.

SB: Did you see much of the Texas oil fields when you were growing up.

KG: No. I think I got into the oil business through geology because I liked the science and graduated with a degree in Petroleum Geology after giving up on mining, not liking the aspects of going under ground. I worked two years in the oil field before I went into the Navy. So that gave me a familiarity with the type of work I wanted to do or had been educated to do. Then after the war, it seemed to me that was the area that I wanted to return to and the type of business I wanted to . . . actually it was the only thing I was educated to do. I had left the family construction company, not liking it, I had decided that I had better look afield. But my exposure to the oil fields was nil until I graduated really.

#028 SB: What was your first job when you did. . .?

KG: I went into geophysics and was a computer in gravity control through the Permanent Basin??? of west Texas for a year. That was rather methodical and not imaginative when you were just doing the arithmetic end of it, so I looked for a job as a geologist or in the geological field and was employed by a little company named Shasta Oil Company. I was there for a year and a half, until I was called into the service. Shasta was an independent and soon was sold to Stanlon in the midst of the war.

SB: What year did you graduate?

KG: I graduated in 1940 from Texas Technological College in Lubbock, Texas. I had been to Baylor for a year, was exposed to geology and moved to the other school because of a wider exposure to the department. They had a larger department and better professors.

SB: Were there any other people in your classes that you sort of followed through or you ran into up in Canada?

KG: There was only 11 of us graduated that year and at one time there were two of us in Calgary. Clinton Buffington??? had come to Canada in 1949 for the Bayroid??? Organization and he was the senior in Canada. . .in Alberta anyway. But Clinton returned to . . I think Houston in about 1957 or '58 and was in poor health and died a couple of years after that. But out of the 11, we were together for a time up here.

#045 SB: So when you returned from the services you decided to continue on in geology?

KG: Yes, I did. I went to work for the Sun Oil Company in December of 1945 and they shipped me to north Louisiana and I did develop my geology within the production department for a year in Delhi, Louisiana and a year in Brookhaven, Mississippi. Then I did some unitization work in New Orleans, Louisiana and then was transferred into the Dallas office and stayed there for six months. Not liking the larger companies, I went to work for Dansinger??? Oil and Refining, a family owned company, headquartered in Fort Worth, Texas.

SB: How did you find out or get the job, did you know somebody. . ?

KG: One of my former employers, supervisor, within Sun, knew I was not too happy in Dallas. He had left the company and he suggested I apply over in Fort Worth. So I went to work for a former Wacoan, who was Chief Geologist for Dansinger, a man by the name of Willard Gill???, an old family friend, although I didn't know him very well. I stayed with Dansinger doing geology for almost two years and then we were sold to a spin off from Southern Natural Gas, a company just getting into the oil business and we were a real plum for somebody to acquire, because we were very heavy in oil production. Very little gas and all Southern production had was gas so it was a natural for them to acquire us. I stayed on with Southern Production, having been elevated to the job of Chief Geologist about the time that the acquisition and the amalgamation took place. In the interim, I had become introduced to Canada through the AAPG and the fact that they had discovered Leduc. We had some acreage in Saskatchewan that we had acquired through a close company acquaintance, Ernest Funkhouser???, who was at that time, Vice-President for Woodly??? Petroleum of Houston. He officed in Abilene so on one of his trips through Fort Worth he called and missed me but got the President of the company and asked Mr. Dansinger if he would like to look at a part of 4 ½ million acres in Saskatchewan. So Mr. Dansinger said, I'll look at 4 ½ million acres anywhere in North America, please come. So he located me and we met during the lunch hour with Mr. Funkhouser and before he left, we had agreed to take 20% of his position in acreage divided almost equally between southwestern Saskatchewan and southeastern Saskatchewan. And that was before any real oil had been found, certainly in southwest Saskatchewan and very little light gravity oil had been found in southeastern Saskatchewan. That was my entree, you might say, into Canada. Although I didn't come to Canada to become involved in the geological or the exploration end of the business on our own properties because it was operated earlier by Woodly, who in turn farmed out 50% of the total block. We only had 20, that left, that left Woodly with 30 and Mobil took 50. Mobil did not take the 50% until the Amarada-

Iverson??? was discovered in North Dakota. With that, the Williston Basin was a very desirable area, everybody rushed to get in and naturally the Woody block passed on because it took so much expertise and manpower and money to explore that acreage. I did come to Canada 3 or 4 times a year, either to Regina or Calgary for operators meetings, partnership arrangements, until the end of 1953, at which time Southern Production urged me by putting their foot in the middle of my back and saying, we're going to be spending 8-12 million dollars over the next 3 years in Canada, you best go, otherwise there won't be any job in Fort Worth. So when they said I could come to Calgary and not to Swift Current, Saskatchewan I said, well then, I'll go.

#102 SB: You yourself had had a bit of knowledge of Canada and what was there by listening to the AAPG lectures. . . ?

KG: Well, I was exposed to several papers, Golden Spike was discovered and logged and promoted by Esso at that point and Ted Link was there, being very active and very prominent in the American Association of Petroleum Geologists. So Ted had his show while I was there and Eddie Labord??? and his father-in-law, I believe, were trying to entice people to come into, particularly Saskatchewan. At that time there was doubt about the sincerity of the Saskatchewan government. They were very socialistic and I was not sure that that's where Dansinger belonged, for certain. But still I was exposed to the lectures and the electrifying news that there had been 600 and some odd feet of oil section in the reef of the Golden Spike type. Of course, no one knew that Golden Spike covered 1½ or 2 sections. We thought it might have been another Leduc which had previously been found and it covered thousands of acres and we thought, maybe that's where the only oil in North America will be produced, will be out of Alberta.

SB: So when you came to Calgary it must have been quite a change coming from Texas, was it?

KG: It was. I came up for an inspection with my supervisor to look at a big farm out that Pacific Petroleum, Canadian Atlantic and some of their associates. Canadian Atlantic was really a subsidiary of Pacific or was controlled by Pacific. They had 3 ½ million acres up in British Columbia and a little bit in Alberta that they were wishing to farm out and Southern Production undertook a 3 ½ year exploration contract on these lands. I was sent here to be the manager of exploration for the 3 ½ years. I looked forward to coming to Alberta, I had no real roots in Fort Worth or in Mississippi or in Florida, where I'd been before. It was an exciting area, I had lots of friends up here, there were lots of Texans and people that I had been acquainted with elsewhere, so I came readily. It was the 1<sup>st</sup> of February and fortunately the weather improved to where it wasn't a lot colder than it would have been in Fort Worth. It was a mild February for an indoctrination period.

#140 SB: Was there a shortage of housing when you came?

KG: Oh yes. That was critical because I had a family with young children and we had a new house that we'd been in for 8 months in Fort Worth and my wife was reluctant to move to Calgary without being adequately housed. So there were five of us arrived to initiate the company's operations, set up the offices and we lived in the Palliser, in a big

interconnected series of rooms, with one parlor and one by one they moved out behind me and I kept looking and looking for a house. Finally I ended up in the Palliser with one bedroom and a living room at an expense of about \$75 a night and suddenly I decided I better find another abode and so I went to the Wales. The Wales was a very quiet room and the manager, Mr. Thomas, was going on a holiday so he let me have his one bedroom parlor on the top floor. That would have been in April of 1954. They came, we put the children in school and my wife set about seriously looking for a house. They stayed until the middle of July, at which point, we hadn't found a house, so she went back, with the children. Because we hadn't been able to sell our house in Fort Worth and my sister and her husband had come up from Venezuela, where they had been posted for several years and they were occupying the house on their vacation. So she went back and I continued to look and found a house in the middle of September, which was available the 1<sup>st</sup> of November. So the housing was desperate and it took a lot more down payment than we were accustomed to paying to buy a house in Calgary. The price was escalated, the mortgages were very narrow, they were not eager to let the mortgage money out. So it took awhile but eventually most . . . I and my company and most of those I was acquainted with found adequate housing in Calgary.

#172 SB: What about supplies of equipment?

KG: We didn't have a lot of problems with supplies. We were doing exploratory drilling, Pacific Petroleum had lots of contacts with seismic crews, core drills, drilling rigs. We had the cash that we had brought up from the United States. They had the equipment and the land and so it was a good mating. We spent our money pretty quickly, particularly up in British Columbia.

SB: Did you make any discoveries up there?

KG: Nothing of any size. We had several near misses. We had a couple of small oil finds in Alberta on the Canadian Atlantic lands. Meanwhile we were having phenomenal success in Saskatchewan behind Mobil Oil, so a lot of the money also flowed over there but we were obligated and committed to spend out \$8.5 million on the Canadian Atlantic, Pacific lands. We stayed in that course of expenditures for 2 years, I guess. It wasn't an exploration plan where you could come in and say we're going to make a discovery this year and this year at this area and another area, because we had to do all of the exploratory seismic the first winter. Then we came back to the prairies for the summer because you couldn't work in B.C. in the winter, in the muskeg and the forestry land and then we hurried back the next winter with more seismic crews and 3 or 4 drilling rigs. The third winter, then the success began to show up because we had done our exploration in a proper manner. In the meantime, Southern Production had been sold to one of the United States majors, Sinclair Oil and Gas, who had a position in Canada through Sinclair Canada. They didn't have a large staff, neither did they have commitments such as Southern Production had and they inherited that when they bought us. So I took my exploration staff into Sinclair, and we moved en masse, the whole group of us. We continued to look after Saskatchewan and British Columbia and some northern Alberta exploration. Sinclair Canada had a production staff, engineers, foremen, scouts, very few

geologists, so my staff was fully occupied, except for the engineers from Southern Production, which did not make the move over into Sinclair Canada. It was just as though my job had become a little bit larger because Sinclair had the depth of financing to come up from Tulsa, where their main office was.

#215 SB: Did they bring any acreage with them . . . ?

KG: They had acreage up here that they had acquired over the years, they had been here quite a few years and they had a lot of acreage in Pembina, nothing in Saskatchewan. Of course, we still had our block, it was still being actively explored and developed. By that time we had positions in 8 or 10 oil fields, both in southeastern and southwest corners of the province. And we had found a little bit in Alberta. But the big push was deep drilling in British Columbia. We were looking for gas. One to back up Pacific and by that time the West Coast problems had been worked out and the financing for that company was under way, for West Coast pipeline. So it looked as though British Columbia had a real bright future in finding enough gas or in producing gas to take care of the West Coast problems, or their need for lots of gas.

SB: Were there any other companies that were farming out from Pacific during that time?

KG: After they made their big farm out to Southern Productions and we had done our work, then Imperial made a big farm out from Pacific Petroleum's property. They didn't take any of the lands we had, maybe we had turned back a block or two that we didn't think was very attractive which went into the block, but Imperial took several millions of acres of Pacific permitted land and I think that was a \$19 million commitment on the part of Imperial. They worked next to us, they also took some lands from Phillips Petroleum and perhaps some from Canada Southern. We were all located in those 100-200 thousand acre permits, so there was enough to go around as far as land to work on. The discoveries that we had were not as large, perhaps as we had hoped for.

#252 SB: What fields were they that you . . . ?

KG: Oh, some of those fields that paralleled those faults on the mountains, I don't remember the names of any of them where it would be meaningful to this particular conversation. We had lots of deep showings. We were hoping to find things in the Devonian because of the success that had been going on in Alberta in looking for the reefs, but mainly it was in the . . . we found gas in the sands of the Cretaceous. They weren't very thick and they were tricky to find the trends, although we knew the general direction. The seismograph just didn't work all that well on the sands, it would help you locate them but not to develop them. The deeper beds were disappointing, both the Mississippian and the Devonian. Sinclair soon withdrew from all except the most promising lands. I didn't stay with Sinclair but a year.

SB: Who were some of the other people that you worked with for Canada Southern?

KG: I didn't work with Canada Southern, other than my relationship with Mel Reasoner, who was the Vice-President for Canada Southern. I was with Southern Production, our Vice-President was Walter Strong, Mike Strong, who left at the time of the merger with Sinclair. Sinclair was headed up by Walter P. Wilson and there was Don Jerome, Vice-

President for Land, I was Superintendent for Exploration, I don't recall the name of the Manager of Operations.

SB: So was it a fairly small staff?

KG: Yes, it was. Probably had 25-30 people. Sinclair as well as Southern Production never believed in over staffing, we just did our work and everybody worked hard at getting done what they could. We had geologists in the field that were probably, you might say, officed in the phone booths along the Alaska Highway, because we were very busy and we had to have somebody supervising the well sites, geologists. They in turn, reported in to me in Calgary. It was a very busy time and if you liked to be involved in an intense exploration play, almost a desperate measure to find as much as you could in the winter because you knew that you weren't going to be all that busy in the summer months, you were certainly occupied and held your desk or your post in the winter.

#303 SB: Do you remember who your drilling contractors were or. . . ?

KG: I remember originally we had Dallas Drilling and Trinity Drilling, Trinity did quite a bit of work for Southern Production as did Dallas Drilling. Those were both U.S. companies that had real first class equipment, having brought it up from the U.S. and it was oversized for some of the shallow drilling in Saskatchewan and eastern Alberta, so that equipment followed us into the areas that we were working in, in northern Alberta and northeastern British Columbia. Those two companies came to mind. When you have 10-12 rigs running during the winter, you don't always remember just who it was that were supervising them or who the contractor was. Moore Drilling did a lot of work for Southern Production, Wimpy Moore. He was locally financed, it didn't take much in the way of a recession before a lot of these people that had one or two drilling rigs found themselves in severe banking problems. The industry had kept the price low for competitive drilling and when they had to go back and replace their drill pipe or equipment and they borrowed money to do it, why, just as the recent bankruptcies that took place, well this took place in '58, '59 and '60. There were a lot of the first class contractors, who had gone out on their own, and were attempting to build up companies, fell by the wayside. But that's attrition.

End of tape.

## Tape 1 Side 2

#019 SB: Was there much production financing. . well, for instance, with Southern Production, how was it financed?

KG: Southern had a reasonable cash flow in the United States, so we brought all of our money with us. We undertook the \$8.5 million minimal exposure and that money flowed into Canada from the U.S.

SB: Did the government require that you made a certain commitment?

KG: No, it was made to Canadian Atlantic and Pacific, for their land, to earn a position in their lands. It was estimated to take 3 ½ years to earn this 50%, I think it was, and the monies were pretty well scheduled with the 40 projects that were involved. So we knew where the money was going to be spent, it was just, could we do it intelligently, in time. When Sinclair took over the contract there was about 1 year and half left and of course, their money came from either their cash flow in Canada or sent up from the United States. After I left Sinclair, I went with a company named. . .we organized it here, the parent was Union Sulphur of Houston, Texas. I had worked with the Vice-President for Exploration and when he wanted to come to Canada, he was acquainted with me and he knew I was not too happy with my lot in Sinclair. So he asked me, would I organize a company for him in Canada, for his company at that point. So I think it was 1959 I joined up with this man, Elliot Powers, who brought money from Houston, Union Sulphur and I methodically set about finding a staff, both engineering and exploratory. They set a man up from Houston, Herman Engle???, who was to direct me into doing things the way Union Sulphur wanted it done. Herman was a Petroleum Engineer and was well versed on the company's procedures and a very capable manager and petroleum engineer. So I furnished the exploration technique and with my connections in town, we finished the staff and after a year he went back to Houston and left it with me. We came up with the name of Union of Louisiana and Canada and we abbreviated it to Unola??? and then there was a merger back in the States with a gasoline producer, so they were Union Texas and we followed along and named it Unitex in Canada.

#050 SB: I wonder if I could just back track to Southern Production, were they looking for someone to purchase them or what was the. . .?

KG: We were over extended, according to the bankers in Saskatchewan and the pipelines had not been built, although Southern Production was a partner in the line that went to Emerson, Minnesota and from there down to St. Paul. They also owned a part of the refinery that was built at St. Paul, later sold to Coke. All that in a desperate measure to move the oil out of Saskatchewan, there was a limitation of cash flow, simply because we couldn't sell enough of the oil that had been found from southwest Saskatchewan. And the bankers were a little bit upset with the engineered recovery, from those fields, such as Fosterton and Success and Premier. The engineers had no experience with recovering that oil and they hadn't attempted any water flood, or the fire floods that came along later and their 5% just wasn't enough to satisfy our New York financial team. So when Sinclair

offered a price in their systematic acquisition schedule for southern Production, we succumbed and they bought. It was a real buy for Sinclair, as it turned out later, because the 5% recovery factor reached 20 something, with the introduction of water into Fosterton and several of the other fields. We were early and it was a costly venture to come into Canada. But the reserves were not uneconomic as it turned out.

SB: Were you involved in any unitization. . .?

KG: I spent almost all my time with Sinclair in directing those wells that were being drilled in northeast British Columbia and the rest of the time, with the unitization efforts of Saskatchewan. The government urged unitization and finally made it so forceful that we had to sit down with all of the companies involved in each little field and unitize or they were inclined to shut you in. They wouldn't stand for dissipation of energy or the flaring of gas. They husband their reserves very carefully and they forced unitization and I'm a believer in unitization so I readily agreed that Sinclair and later on Unitex should sit down in an effort to unitize every chance they got. In the first place, there were savings in operations, I always thought that you would get a better percent recovery from one operator withdrawing the reserves. But yes, we did specialize in unitization in both Sinclair and in Unitex. Southern Production had very little opportunity to unitize because we were still in the exploration end of it. But we were also doing a lot of developing, but it wasn't until the fields were developed before they tried to unitize. So that happened with the subsequent owners of those reserves.

#092 SB: You also mentioned, in the late 50's there was sort of a recession, what brought that about?

KG: 1957 was supposed to be a very depressing year in the oil industry and if you look at the cycles, probably it was cyclical but there was tremendous movements of oil from the Middle East into the United States. They could find that oil at 13 cents a barrel as I recall and we were spending \$3 a barrel to find \$3 oil. So that's the reason there was a shut down in our endeavours anyway and I think we were typical. But it was the depression within the oil industry in 1957-58, it didn't reverse itself until 1960 I guess. The price of crude went up a little bit right in there too. It was competition for the limited markets really.

SB: Did you notice any government intervention at that point, were they taking much of an interest in the oil fields and the possibilities?

KG: Alberta was the wide open province. Saskatchewan was selling their land but the government was still very questionable as to some of their tactics. They came out with new type leases and you could buy a lease for no cash but you had to promise net royalties. Those of us who had money were competing against people who, we thought, were acquiring the leases for experience. They certainly weren't making anything out of it, when they got through paying off their net royalties, there was very little left for the operator in the form of debt free cash flow. That was a trying time in Saskatchewan, the Social Credit government and it was still CCF at that point, which was sort of a . . .any time anybody started saying they were close to the CCF party, you wondered whether they were socialistic or whether they were the free enterprisers. But you had to compete,

you couldn't stay out of Saskatchewan.

#120 SB: Did you develop much in Alberta, it seems like it would have been an easier climate to operate?

KG: Pembina was big in those day, and there was Virginia Hills and Swan Hills, those big oil fields that were being produced. And there was some Cretaceous oil being found in southeastern Alberta, but the Pembina sand pools and the Swan Hills, Virginia Hills reef pools were very aggressive in their demands for funds and everybody was trying to find another one. We were all exploring seismic wise. This was before Rainbow. Alberta was really the place to be. The Alberta government had made a change in the lease, but not to the point of where. . they had raised the royalty only up to 16 2/3%, Saskatchewan had attempted to follow in their endeavours to trap some of the oil money back into Saskatchewan. They were meanwhile selling oil, both southwest and southeastern, into the line that went to St. Paul, plus oil that was being transported up into the inter-provincial line that went through there. There was not a good market for gas, it was a limited market in Saskatchewan. There were new fields being found in Alberta at that time, reef fields mainly, being sold. . the gas was being contracted to Alberta and Southern and of course, to Trans Canada. So gas was a very attractive reserve to locate at that time, this would have been the mid 60's. Both lines had . . they were eager to get more gas, so that's where they exploratory dollars were going.

SB: When Sinclair bought Southern Production was there much of a change in their directives to people who worked there or anything like that?

KG: Well, their management was different. Sinclair was regimented more closely than we were accustomed to. But we were riding at a crest of success. The money came along just as. . the paper mill was unbelievable. The involvement, where we had used the phone and telegrams with Southern Production, we had to create giant files, as we thought of, for every well we were drilling and when you had as many development wells that you were participating in as we did, why you had to hire clerks just to carry the paper around. That always bothered me, that one covered one's footsteps in that manner, when it didn't find many barrels of oil or run a seismic crew.

#161 SB: So with Unitex or Union Sulphur, what were your plans for that company?

KG: It started out looking for reefs, those were the most rewarding. We stayed basically in Alberta. We competed in Saskatchewan for edge leases on some of the oil fields that we were acquainted with and kept up to date with, mainly over in southeastern Saskatchewan. Weyburn and Mydale were the principal fields being developed at that time. We moved up into central Alberta and were quite successful in Nipisy???, Red Earth, Youtikima???, we were looking for oil. My exploration geologists were very successful in their endeavours. They were persuasive and proved to be very successful in their. . . understanding of the problems, that's what it was. Because we didn't use any more seismic crews or core drills, we were held pretty close to the budget as far as seismic but we had good geologic talent and they did well by us.

SB: I guess the prices were slowly going up?

KG: Yes. They were escalating but you know, the price of gas didn't track as fast as it should have. We had to stay away from gas because we could do better if we found oil. Slowly they were inching up, going ahead a few dollars every 2 or 3 years, that's about what it amounted to. The price of oil just didn't escalate until the early 70's, at which point. . .when OPEC began to control the flow of oil into the Middle East and from Venezuela into the east coast of North America, was there any real increase in the price of crude. And of course, at that point, then natural gas began to track a little more closely.

#193 SB: Was there any major production that you came into with Unitex?

KG: Unitex had to compete within its own right with other divisions of the company that operated in Denver and Houston and west Texas. We were competitive up here in buying crude that were offered by the Crown in offsetting tracks. We had the best finding ratio for all of the Union Texas organization and we quickly . . .everybody said, also it cost us more money per barrel to find those reserves or to acquire them. And in those days it was damaging to the flow of dollars from the U.S. into Canada for us. We were having a difficult time competing but Unitex went ahead and the oil that we acquired in the 60's was sold in, I think it was 1979 or '80 for, well, \$100 million. So those reserves were the early finds of Unitex and the base on which the company expanded and kept growing. When the price of oil moved from the figure we were using of about \$3.30 up to \$33 Canadian, that company had a remarkable economic success, or it was an economic success. And Allied Chemical had acquired control of Union Texas. Allied Chemical questioned the movement of U.S. dollars into Canada in the late 70's and early 80's, so they thought the thing to do was to take their money out of Canada, since it had come from the United States, and with all of the talk of nationalization and Canadianization, the U.S. giant corporation just quietly withdrew, sold their Canadian reserves, sold them in Canada and the value of the company then was known. Because it was sold competitively, on sealed bids, blind, based on engineering estimates and that was the end of a very successful U.S. financed operation in Canada.

#233 SB: I guess that started in the 60's, did it, when you started getting increased federal government intervention and . . .?

KG: Yes. But it didn't start until. . .you know, mid 60's, almost in the 1970's, I think it was 1972 when Alberta finally redid the leases for the second time.

SB: Did you belong to any of the Petroleum Associations?

KG: Yes. My time when I was with Sinclair, I was too busy to be involved, but in 19. . .probably '72, with Unitex, I was involved with the CPA and soon was elected to be a Governor. I think it was in 1978, I attempted to do some work with IPAC, but I really couldn't work with both associations. They were still the difference between the independents and those that claimed to be majors. I think it was because I had come to Canada from the United States and had done all my unitization work that I really believed the CPA had a better feel for the dollars that my company was spending. It didn't mean that I didn't agree with IPAC in many of their endeavours, but IPAC was made up of individuals and small companies, Canadian financed and I wasn't thinking that way. So I

never got too closely involved with IPAC, but I was with the CPA organization for probably 12 years or maybe 15, from 1970 until . . . oh, '80 again. I had to withdraw after I came with. . . or went on my own really, in 1978.

#266 SB: Can you remember some of the major issues that you were involved with when you were with CPA?

KG: I personally never believed that the majors should bring the refining segment of the business into the Canadian Petroleum Association. I found myself specializing in the public relations end of the oil industry in Canada, before the public of Canada. I was a Director of the Public Relations effort for probably 5 or 6 years in my time with the CPA. I didn't do an awful lot of work, or let's say constructive work, for the Board of Governors, for Canada. I thought I did more good in the Province of Alberta. So I was in the Alberta Division, finally undertook to be a Director of the Alberta Division for a year. I certainly enjoyed that year because we were dealing with the Alberta government at the time that the new leases were being written. Bill Dickie was the Minister of Energy, the Cabinet Minister and I appeared before the Assembly, when they met as a committee, on behalf of . . . I was employed at that time by Forest Oil, but really I was representing the Alberta Division of the Canadian Petroleum Association. There was a whole year in there when Mr. Dickie and Mr. Lougheed's government was being formulated that we had an opportunity to take our problems to the Alberta Cabinet and we met with them many times. Whether we got our way or not, one never gets all of their way with the government, but I think we had an influence on an understanding government such as Mr. Lougheed had.

#302 SB: Can you remember some of the issues that you raised with them?

KG: The one that really was the overpowering one was the changing of the royalty schedule. We had all done our acquisitions and our economic extensions on the basis of 16 2/3 % royalty and when they came along and raised that we didn't know where the ceiling was and it was net royalties, we were frightened, our U.S. money sources were saying, till you establish what the principal is, how can you send down economic evaluations of your endeavours in Canada. We're just not going to send you any more money than what we're already committed to. This was not just Union Texas, it was not just Forest Oil Corporation, this was all the companies that were looking south for their funds. Alberta really did its part in creating uncertainties in the U.S. and in Great Britain, because there were several companies here that were being financed out of Great Britain and Germany. Followed shortly thereafter by the federal government changing up the tax regimes and Alberta changing the royalty schedule. They built a pretty good barrier for the easy flow of U.S. dollars into Canada. But that's where I did most of my work, I think, constructively, I hope, with the Alberta government.

End of tape.

Tape 2 Side 1

- SB: It's July 18<sup>th</sup>, 1984 and this is the second interview with Mr. Ken Germond. Mr. Germond, I was wondering, when you first came up to Canada, was it easy to find flights into Canada or was it fairly easy traveling from the States into Canada?
- KG: My first trip to Calgary was in 1950 and it took a day and a half because I had to leave Fort Worth at noon, to go to Dallas, to catch a ??? flight to Denver and they made seven stops between Dallas and Denver, and then you stayed overnight and caught a Western flight out of Denver at 7:00 a.m. and it arrived in Calgary at, as I recall, around 4:00 in the afternoon. Going back was almost as arduous but it took night hours because you left Calgary at 1:00 in the afternoon and arrived in Denver at approximately 9:00 p.m. and then the flight to Fort Worth left at 3:00 a.m. and arrived back at 9:30 in the morning. So it was an ordeal really to come to Calgary and expect to accomplish anything. There wasn't jet lag but believe me there wasn't much sleep on the airplanes in those days, what with the many landings and take-offs, always they woke you up, interrupted any sleep you were getting.
- SB: I guess it's changed a lot now.
- KG: Oh my. It was rapid in it's improvement but still took 15 years I guess, from 1950 before you could go non-stop or sorry, in one day, in decent aircraft to Dallas or Houston.
- SB: You mentioned that you did a lot of work in northern B.C. when you first came up. I imagine that transportation was difficult going up there as well, was it?
- KG: The first periods, it was almost impossible to get there with any assurance, by commercial airlines. As a result of that Pacific Petroleums had a twin engine passenger plane that they flew from Calgary to Fort St. John, almost every day of the week. This was moving their people. And the Southern Production arrangement with Pacific was such that, if we had people that needed to go there and there was a seat then Pacific would bill us for our pro-rata share of the cost for that particular flight. I didn't fly commercial to Fort St. John for several years, really probably until 159 or '60.
- #035 SB: And then once you got there you'd take the highway and . . . ?
- KG: Yes. Well, we had staff there and we would just drive. There was very little helicopter work except during the wet summer season because of the expense. The Alaska Highway itself was certainly the artery and if you had a drilling operation going on, you certainly had a good road from the artery in to the location, cars anyway, cars and trucks.
- SB: Yes. And most of the roads would have been built in the winter would they?
- KG: Yes, and then maintained during the summer, because we did some summer drilling. It was preferable, it was certainly cheaper if you had a road built, than trying to maintain a winter operation. But we did I would guess, 75% of our drilling during the winter season.
- SB: So I imagine that was a major expense then, just having to drill in that area.
- KG: Oh yes. I remember one well we drilled, on the Alberta border, which was east from Fort Nelson, and we couldn't send a passenger car in their on just one tank of gasoline, on its own tank of gasoline. It had to carry at least 4, 5 gallon jerry cans of gasoline in the event that there wasn't gasoline at the location. So we stockpiled at the location. And the car

would load up with gasoline to come back out.

SB: Usually they used cars though, they didn't use pick-ups?

KG: Well, Pacific was very pick-up oriented, they felt like if you were going to go into the location, you should take something with you. We, Southern Production was not accustomed to the pick-up habit and we would equip certainly our engineers, with passenger cars. Though they often times had to stay overnight in the car. The geologists though, took pick-up trucks because they carried cores and their survival gear with them.

#058 SB: And was the situation different in Alberta, was transportation better developed?

KG: Well, I think there was more pavement, up from Edmonton, westward on Valleyview Highway, and up to Grande Prairie. Those were first class roads in those days. I won't take away from the Alaska Highway, but the Alaska Highway was the only road.

SB: Even now, it's not in great shape.

KG: Well, they've done a lot with it I understand.

SB: You mentioned that when Sinclair Oil and Gas bought Southern Production, you brought some of your members of your exploration staff over. Do you remember who they were, any names?

KG: We were unable to persuade any of our engineers to join Sinclair because Sinclair already had a staff of engineers but they were short of geologists. I was able to persuade Glen Cunningham, who carried on into Petro Canada from Sinclair, went with Atlantic Richfield at the time of their merger with Sinclair. Bob Cuthbertson was another that moved with me, a young geologist by the name of Don Samson, a Vancouver graduate. I'm reasonably sure. . . there were about 5 geologists made the transfer, other than myself. Harry Lowther went into Sinclair, I think that's most of them.

SB: And then did most of them stay on with Sinclair?

KG: All but Harry and myself. I stayed a year, Harry stayed 18 months. I persuaded him to leave Sinclair and join me when I organized the union of Louisiana Operation in Canada.

SB: You mentioned that Sinclair had a systematic acquisition schedule, did they have any goal in mind or were they just . . . ?

KG: I'm sure this was not a published or existing rule on their part but major oil companies need. . . particularly a major who has a large refining segment of its organization, they must have oil in reserve for their economics and also for their assurance that they'll refine a certain percentage of their own crude. Sinclair had always had a history of, every so often, replacing the reserves that they hadn't been able to find, by acquiring a company, such as Southern Production. Another one in the U.S. was American Republics, both of which were acquired for their existing proven crude oil reserves. Sinclair wasn't the only that did it, other companies were doing it at that time, they're still doing it.

#094 SB: Probably more so now, than at that time, would you say?

KG: I'm not sure now just what it takes to analyze or rationalize why a major oil buys somebody else. There's always an economic reason. If they're able to buy it cheaper than they're finding it, that seems to be the bedrock reason.

SB: You mentioned that when you were asked by Union Sulphur to set up the office here, that

Herman Engles was sent up from Houston to direct you in setting up the company. Were there any procedures and policies which were different from what you expected?

KG: Not really. Herman was a Petroleum Engineer, very strong in administration, in addition to his engineering abilities. I think the company thought that if we were going to be reporting, both in exploration, production and accounting, that we should follow their procedures that they had set up in Houston, without there being some new influx of say, perhaps non-knowledgeable people, trying to report to an income or a money provider. We would send our revenue there and it had to be reported in certain ways. I wasn't restricted really, in my exploration practice, except in the method of reporting. Production was of course, Canadian and we did it to suit the province of Alberta and British Columbia and Saskatchewan. If we could we translated it into Union's scheme, which was modern and acceptable.

SB: Was there any difficulty setting up an oil company at that time in Canada?

KG: The only thing was to find office space. When Union of Louisiana employed me, we rented the recently vacated space that Alberta Nash had on the corner of 4<sup>th</sup> Street and 7<sup>th</sup> Avenue, which soon became the sight for the Bentall Building in Calgary. But that was the only space we could find that had more than two adjoining offices. So we had some partitions put up. The floor was red Mexican tile, the whole walls were show windows, opening out onto 4<sup>th</sup> and 7<sup>th</sup>. So we had to put up a pretty good blind system, both venetian and draperies, to keep the street traffic from staring in at everything that was going on in the office. We were there for, I would think, 5 or 6 months and we moved into a new addition on top of the Oil and Gas Exchange, which was next door to the old Wales Hotel. And they added a third floor and we were able to get half of that.

#132 SB: Was there any problem getting technical personnel then?

KG: There was an awful lot of piracy went on. The newcomers had to either bring people with them, and the Canadian government allowed you to bring in your seniors, and then you sort of played the domino game of raiding other people's resource pool. And that's the way. . . we trained and we lost and we pirated. It was just a vicious circle that we were all involved in but with a limited number of technical people, you had to do that. A lot of people moved up very rapidly and were given every chance to do that. Take a gamble with a new company and move up two notches on the ladder in a year or so instead of the old deliberate, one step at a time.

SB: So that was one of your incentives for enticing people away?

KG: Yes. It was an inflationary type scheme too, it created a lot of high cost people.

SB: Did you issue shares at any time with Unitex.

KG: No, Unitex was a stateside operation, it was selling on the New York exchange, if I'm not mistaken. They soon went on the New York exchange but we never offered any shares specifically in Canada. People could buy them here, there was no restriction on our shares moving into Canada but they weren't offered on the Toronto or Calgary exchange or Vancouver.

SB: When you went over to Unitex, did you learn anything from your experience with Canada Southern that you could take over?

KG: Let's make a correction there.

SB: I mean not Canada Southern, Southern Productions, I keep saying that.

KG: Certainly I took what I had. . the only thing I took with me was the hat on my head, but still I had at that point, nearly three years experience in Canada on location. I'd had another couple of years where I had flown back and forth on a monthly basis to spend two or three days in Canada. That's the reasons they probably hired me. One, they knew me and I had worked for one of their principals, but at the same time, they needed a leader, a manager in Canada that they could count on hitting the streets, in the play immediately without having to train somebody, let them find out what was going on and then persuade the Houston Management to move more money in here. We were operating within 30 days. Most companies did that. They didn't come up here wondering what was happening. Most companies came up, took a look went back, sent someone in to Canada with the assurance that they would get money and they would say, create a staff, find places to become involved, find some partners and get underway. Normally that's the way we all went. We partnered with people that we were acquainted with and that we could count on coming back to us with a deal of their own, ask us to be a partner with them. Believe me, it certainly assisted by having a group that you worked in. You didn't always go, but you were exposed to many more opportunities that way than you would have if you had had your own exploration staff in the back rooms, trying to create plays that you could get into in short order. It was a slow methodical process in that way.

#188 SB: Who were some of the other partners that you would get involved with?

KG: Unitex operated with. . .and Unitex was the outgrowth from Southern Production and then into. . I went with Union of Louisiana, which became Unitex, we operated with Lion Oil, which became Monsanto, and with a couple of the Edmonton companies. I'm trying to think of a name. . .Chieftain. . .

SB: Micmac?

KG: Yes, Micmac, the old Micmac before it rolled over to become New Mac. The same staff, just a different bunch of investors behind the group. Of course, we had our friends at Pacific, but they were getting so big, they really didn't need our help or didn't ask us to join them very often. Unless it was one where we had the play and we'd go back to them, occasionally to ask, would they like to join us, hoping to get their support and their knowledge. But we had 5 or 6 companies that we operated with. Most of them had U.S. origin and we all had the same mode of operation, rather than the Canadian companies. But Micmac and Chieftain were two of our ones, that we had proven ourselves to be creative and dependable as partners.

SB: So your circle of contacts was very important.

KG: Absolutely. Both in people as well as companies that you knew could make a quick decision. Because when it came right down to why were these oil companies able to move, they were probably a little more agile than the major companies. And they could make a decision, whether it was yes or no, in a short order, without having to wait a long time for the machinery which is inherent with a major company, to come forward with their decision. Unitex always operated closely with Mobil Oil because of my past

acquaintance with them and also we developed a comfortable feeling with Chevron. Chevron was very active, very aggressive and they had management in Canada that could say yes or no, or if they didn't they would get on an airplane and fly to San Francisco and you could count on the answer within 2 or 3 days. They were a pleasure to work with.

#255 SB: You also mentioned Mr. Funkhouser, you sort of looked on him as a mentor, what were some of the ways that he influenced you, could you give us an idea of his character?

KG: Ernest was one of the most outgoing people I ever met in my life. He was influential on me personally and on my company because he was so enthusiastic for Canada that he made it easy for my home corporation to say that they would like to come up to Canada to see what Mr. Funkhouser was involved in. Then he gathered people around him and they in turn made offers to him to join them and he shared some of the opportunities with those of us that were close to him. I really think that there were 2 or 3 people from the States that did far more than the general run of the mill, Ernest Funkhouser was one and Eddie Labord was another. They were always entrepreneurial had fresh ideas . . . as I say, the enthusiasm was very obvious, probably inherent with them. But Ernest had a little group around him that he socially controlled. By that he included you in everything that he thought you'd like to do. His ideas of having a good time were contagious, we always enjoyed that. He always made it seem like this the thing to do and everybody gave their utmost in support of Ernest. He was a good citizen, that was one of the things he used to preach to us as sort of, his credo. He said, we were up here as U.S. citizens and we were earning our living up here, now we've got to be good citizens, we've got to take our share of the responsibilities and if he was involved in something that was a vacation for a group coming up from the States or from elsewhere, why we would all do our part. He would do more than his. If it were the United Fund he had a group and we had to do our share plus a little more. The Oilman's Golf Tournament was getting underway at the time he came and he did a lot of the building up of the reputation in the U.S., because of his presence up here and his bringing of management from the U.S. and the major companies and the people that wanted to come. He made them believe in Canada just as he did. I was one of his group and I must have benefitted from it because I shall never forget the man and the many things he said and did and the leadership that he offered. And he made few demands on you, except that if you said you were going to do something, you didn't dare not do it.

SB: Who were some of the other people that had the same association with him?

KG: Well, a lot of the people have come and gone, but Signal Oil and Gas, came up from California and they had a young man as their leader by the name of Steve Bowles. They were. . . let's see, Signal and Woodly officed on the same floor as Eddie Labord did in those days, over on 9<sup>th</sup> Avenue. I don't remember the building name but it was over the liquor store and that made it convenient for the after 5 purchases. Ernest has been dead for about 11 or 12 years now and a lot of those people that he was close to changed. Woodly was purchased by Union Oil and Gas from Union of California. So Ernest went

to work for them and retired from Union. The last 2 or 3 years of his life was spent either in the office, or in the home that he and his wife, Jean had built or had acquired up on the Little Red Deer River, west of Sundre. He had a name there called Porquios???, the name was one he chose but he wonder why he had bought such a place but it became a second home to him. They reduced their home in Calgary because they didn't spend much time here. Every weekend they were at their cabin on the River at Sundre. They bought a ranch up there and their son, Garrett, the youngest of their three children is very active in the ranching business there. He actually went to school at the agricultural college at Sundre and became a successful rancher, raises grain to feed the cows that they have. He has a tremendous hay farm there, it's only about 6 or 8 miles from the cabin on the Little Red Deer and I think Jean Funkhouser still has ownership to that place.

SB: So they didn't follow in the oil business?

KG: He stayed in the oil business but none of his children did. His son graduated from the University of Wisconsin with a degree in geology but it wasn't suitable to his health and so he didn't pursue geology, worked at it a year or two and then went to school teaching and moved back to the U.S., ??? Funkhouser is still here, as is the youngest son Garrett. Of course, Garrett is now 40, with a family and land of his own, still being a good citizen like his father told him.

End of tape.

Tape 2 Side 2

#019 SB: I was wondering if you could clarify, when Unitex was sold, how it was divided up? I understand that some of the assets were already owned by Allied Chemical.

KG: Allied Chemical doesn't come along for, say 4 or 5 years. Unitex . . . I'm trying to bring the facts into focus. Approximately 4 or 5 years after I had gone with them, Allied Chemical assumed control through Wall Street stock tradings of the Union of Louisiana, Union Texas position. It was much the same as when Monsanto acquired a position in Lion Oil. Chemical companies thought that they should control hydrocarbons or have their share of hydrocarbon production. Whether it was good or bad, it didn't seem to become clear until maybe 10 years of that type of operation. Then the chemical companies slowed down, the companies that they actually acquired, the exploration companies. In the first place, their economics within chemical companies were different from the oil industry, and we certainly felt the brakes being applied. They didn't understand our appreciation of the risk and the return for a good discovery. They too often looked at the summation of a year and said, we can do better with a proven product manufactured and sold through our marketing organization. Allied Chemical was a growing company, not quite one of the big pyramid things, because really everything was of the making of chemicals, or the sale of them or the research and development. But they have worked their business out and they're understanding the oil business to such a degree that they have been very successful. Allied sold control of Unitex and one of its subsidiaries, Union Texas of Canada to Canadian purchasers because they found that it was detrimental to their economics to leave money in Canada. The other reason was a very profitable sale of a developed asset because the return on the dollar was tremendous. At the time that Allied sold, oil was at its highest price in Canada, everybody anticipated going to \$50 or \$100 a barrel and the purchasers of those two little Canadian companies paid the top price. Allied withdrew from Canada, much as the Canadian government wanted them to. They took their investment, went back, the natural resources were left in Canada and along with them some horrendous debts that had to be recouped from that purchased oil and gas. I guess the company that bought them will survive, Husky bought one of the smaller interests, Union Texas of Canada and Drummond Oil came up as an acquire of Unitex and its production and they've had, along with others some problems in controlling the bank indebtedness, because of the depressed petroleum markets in the past five years.

#066 SB: Did you ever come across Jean Vallatt?

KG: Yes. I knew Jean. Not business wise. Jean was of the . . . not generation, because that means too long a period, but anyway he was earlier in Canada than I. And he was on his own as an individual when I came here. I knew him at the golf club, I knew him socially. He was a successful oil man but the California group from which he came, Les Clark and Jean Vallatt, they sort of had their preferences. It was again, a little group that had proven themselves one to the other and they didn't always reach out to find somebody that was newer in town than they, that maybe only had a little money to contribute and didn't have

acreage or a developed play to work their way into their group.

SB: So he was a type of consultant, was he?

KG: Yes, and invested people's. . . I'm sure he had a group of investors behind him, probably from California, maybe perhaps from the eastern part of the United States or from Canada. Jean was a geologist and he did participate in developed plays and he had some of his own.

SB: I guess we could move on to when you went to Forrest Oil, first of all, what were your reasons for leaving Unitex?

KG: I think I developed that when I said that the chemical companies really didn't understand the exploration business and I felt like I was being held back or over controlled by the Houston and the New York management. I'd been with them 10 years and it seemed to me like the last two years, there hadn't been much like in the way of enjoyment of what I was doing and we were having our wings pretty closely clipped. We sold some of our undeveloped exploration properties to other people and I thought that was wrong. It was just a disagreement in the position that I had developed up here for them. Forrest Oil wanted to start anew, they had had an unsuccessful start in Canada and had actually shut down the office here but put their furniture and their files in storage and waited until their U.S. financial situation corrected itself. They had had a horrendous, unexpected tax to pay. They shut down the Canadian operation because it was the least attractive and they they wanted to come back. I was a friend of the family that made up Forrest, it was the Doren ??? brothers from . . . I knew them in Midland and San Antonio before I came to Canada. The family had originated in Bradford, Pennsylvania through their father and these five boys ran a growing growth company, called Forrest Oil, which was privately owned by them, by the family. And a year after I went with them, they went public. But I joined Forrest strictly for the opportunity to be my own exploration manager in a growth oriented company and certainly Forrest furnished that environment.

#110 SB: Who were some of the other people that were on the staff, well I guess you built up slowly did you?

KG: Yes, not quite as fast as I built up Unitex. There were approximately 3 or 4 on the staff, I had a geophysicist from the States, who has since returned, Dan Sottell, C. S. Simpson, Chuck Simpson, he's still in Calgary, a successful land man who, on his own, was able to provide himself with a very successful career. He acquired some production of his own after he left Forrest. We had several geologists that didn't stay with us. There was a group . . . there was nothing coherent about the staff, like I had with the Unitex period, I don't really know why, just different times and different type of geologist that I acquired. We've all broken apart and gone out own ways really, a couple of them went to British Columbia, went to work for the government over there. One of the engineers left and shortly thereafter, Bob Cocklin was killed in an automobile accident in the Peace River country, so it was a staff that, as I say was not coherent within itself. We had a good run with Forrest and then I left and most of the others did shortly thereafter and a whole new group is running Forrest. Actually it's being headed up by a man that worked for a short time as a geologist and left, but then was persuaded to come back and take over the

management of it but we're not close at all.

SB: Was Jack English one of the people that you. . . ?

KG: Jack English was one of the geologists, perhaps the first geologist that I hired with Forrest. . . or to come to Forrest. He was the one who went to British Columbia, first retired, thought he would be happy to live up in a self made house. But after a year he found that it was hard on his health. We offered him a job readily to come back as our research geologist, he had been the Division geologist, but we had brought a man up from the U.S. when Jack left Forrest. That man was in position so Jack came back as a Research Geologist and he was a fine one.

#144 SB: And Keith McAdam???, what was he?

KG: Keith was another that joined me and then left to go to British Columbia. I think he was very influential on Jack leaving Forrest. Keith came back, I rehired him to and then he decided he'd go back to British Columbia and I said, Keith don't do this to me again, I'd probably offer you another job but you'd be unhappy, now go to British Columbia and stay there. Be happy, be content because you're a good geologist but you have an itchy foot, and you like to keep going back over there, where life is perhaps a little easier and work for the government.

SB: Did the family exert much influence on the daily operation of the company?

KG: No, they were completely in control. I didn't realize how much it was until, they moved one of the grandsons of the founder of the company, to be trained in Canada and to be the supervisor. At that point, we were almost wedded to the telephone, because he made sure he talked daily to his father or with his uncles, whereas we maybe, I say we. . . I ignored the control that they were exerting because when you have the purse you can certainly exert control. But as far as the daily operation was, that's the way that family operated. Every brother talked to every other brother every day, and they never argued, they didn't. . . I never knew them to have a difference of opinion. There was a certain charisma among each of them to where if he had a real idea, he convinced the others that was the one they should consider. Perhaps they didn't but nobody got mad, nobody ever exhibited to the outside group, the professionals that they gathered around them, that it wasn't a unanimous decision and believe me, we all operated under the umbrella of the Doren brothers.

#174 SB: How widespread were their operations in the States?

KG: They've been very successful, I don't know that they have operations of any consequence in California, but the brothers, they had one in Houston, one in San Antonio, one in Corpus Christi, Midland and one in Denver. Now, they've sort of brought them together so that they have. . . and there's one or two of them have passed on, but the brothers are still all together, production is where they are located, because that's where the money got spent. They never knew quite what to do with Canada and Alaska, finally they put the two together. At the time they sent Bill Doren to Calgary and we reported at first, into Denver and then it was shuffled to San Antonio and I thought for a while we were going to be reporting to the brother that was in Corpus Christi. He wanted to have the foreign division

of the company. Then we were sent to the Midland regional office for control. So that made it, the put us in the same position as all other the district division offices, such as the one that was in Oklahoma City and Lafayette, Louisiana, Houston. So that we were made part of the pattern.

SB: You decided after leaving Forrest to go on your own for awhile?

KG: Yes. I was uncertain just what to do, whether to stay in Canada. I was very unhappy with Forrest the last two years, so there was a decision to be made to whether I stayed in Canada or went back to the United States. After all, I was about 55-57 years of age at that point and I needed to make up my plan as to what I was going to do. And in my analyzation of my personal life, I decided that my best opportunity remained in Canada. It was the first time I had not been on a U.S. dollar payroll. All the people that I had worked with in the States were not together. The people that I was closest to were in Canada, so my wife and I just decided that Calgary was the place that was most suited to us, work wise, so we would stay in Calgary. We had two children that were born here and they both really preferred to stay in Canada, than to, at that point of their life, go to the U.S. or wherever. So I set up my own consulting practice in a quiet way and I did my first assignment was with a company called Maynard Exploration Company, which was a small group out of Dallas and was controlled by Jim Maynard out of Chicago. Through Jim, who arranged for most of the outside financing, they started an operation in Calgary. All of their money was invested in Alberta and most of it in the Darcy area, of eastern Alberta. They had a gas plant and they had a few hundred barrels of oil production, but we were dependent upon the influx of U.S. money, we were not really self-sufficient to carry on and exploration program. At the end of six months it was obvious that they needed the dollars, the cash flow from Canada, in the U.S. And they were quite successful in the U.S., more so than they had been in Canada. They had a drilling company that was money hungry and they had some new areas they wanted to work in Texas, so they didn't need and exploration geologist as manager, so we parted company and I went on my own. But I had learned a great deal about drilling funds from my half year with Jim Maynard and I was doing a little work on my own, working up plays, and I was also sort of lining myself up to operate a couple of small companies that had some cash flow and no one to advise them as to where to spend it in Canada. And I ran into Dallas Hawkins, who at that time was the President and chief shareholder of Oakwood Petroleums, the company that he had personally built up, from 1963 until that point, which was 1976, to a little company that had some tax flow and needed to have some more. Dallas thought the best way to do it was to get into the drilling fund business. I, with my exploration background, joined him on a 3 day a week basis. I was still waiting for these two little companies to come along, where I could manage them for the other two days, and I was beginning to want something of my own, rather than to work on a payroll. So in April of 1977 I began to do some consulting for Oakwood. That's evolved, the other two little companies never did really develop until such time as I had worked myself into a full time assignment with Oakwood. Then one of them said, we're ready but at that point I had passed it on to one of my other consulting engineer friends. I've never regretted that, I've been with Oakwood now for 7 ½ years and it's been the finest

opportunity of my life. I have retired except that Oakwood asked me to stay on half time and I divide that up by either working half a day or taking a month off and then working full time for the next month to where we're on an even basis financially. I hate to really, leave Oakwood. Not so much that I'm reluctant to retire, but I just have enjoyed Oakwood and its growth from 8 people to 150 people in the 7 ½ years.

#279 SB: So you were the 8<sup>th</sup> person hired, were you?

KG: Yes, I was. I went on the payroll, I was number 8. There are now only two people of that eight that are ahead of me, and that's Dallas Hawkins as Chairman and Brian Ekstrom, who is now President and Chief Executive Officer. I've been his Executive Vice-President for the past 2 ½ years. I don't think they. . . I'm not saying this as anything more than just a personal fashion, they don't really need me and I'm ready to retire.

SB: With the drilling funds, where were they. . . were they mostly American drilling funds?

KG: No. We believed at that point that we should sell and find our money in Canada. It had become very evident that the best tax advantages were for Canadians, and we were Canadian. So we went to the Canadian public. It was not easy, there was a lot of competition. But still Oakwood had a reputation and we were able to attract a small group the first time. We took some of our own plays, we put our own money in our plays and that attracted a certain following. The first year, we spent about \$1.5 million and the next year we doubled that and went to 3 million. Again, Oak Wood took some of its own plays so they were not only general partner but they played as a limited partner. And then Oakwood was successful in its own operation, everything was not drilling funds. We were still drilling and acquiring and they had acquired Bassett Oil. Bassett Oil was a very lucrative acquisition, it created profits that we hadn't planned on and we were unable to develop exploration plays to take care of our own profits, as well as carry on the drilling fund business. Where it's a very slow meticulous path that you follow and you give up most of your profits, in order to have someone else pay on a promoted basis. Return is slow for the general partner on a drilling fund, in the way we had it set up. So at the end of the third year, we just elected to get out of the drilling fund business, and to spend our own dollars, and our own generated exploration plays.

#328 SB: I guess there was a lot of cash flow from acquiring Bassett Oil was there?

KG: Oh yes, Oakwood immediately quadrupled in size I think, and in cash flow as a result of the acquisition of Bassett. It was a terrible thing to swallow, having to borrow \$80 million, and to pay that back from cash flow. We made valiant efforts to put that money, that we had borrowed from the banks, on a floating interest rate, into a mortgage type where it had a fixed rate. The only year we had a loss on our net earnings was the year that we were delayed three months in planning that \$80 million into mortgages. It shows up on our past background, but it was worth every cent that it cost, because Bassett is . . . it must be 75% cash flow provider for the present Oakwood.

End of tape.

## Tape 3 Side 1

SB: When you came to Canada, was the Petroleum Club very active at that time, or had it started?

KG: Oh yes, the Petroleum Club had evolved from the Renfrew Club. After all the Renfrew Club had the only liquor license to serve drinks within their own quarters as far as downtown clubs were concerned. Petroleum Clubs were the vogue in most of the oil centre in the U.S. and around the world. Renfrew and the Petroleum Club combined and they had the first, in the top floor of the Palliser and then they moved into new quarters about 1953, over the Motor Car Supply on 6<sup>th</sup> Avenue. The Petroleum Club was the social centre, believe me, for lunch and even for dinner the bar was always active. But it certainly was a gathering spot for the petroleum industry in those days.

SB: And I guess it was an advantage to belong to . . . ?

KG: Oh yes. Certainly everyone thought so, everyone did belong. It was not an expensive entry fee and the meals were always. . . it was not a profitable organization for many years and the bar had to support the dining room, but everybody went to the Petroleum Club for lunch, or to the Palliser. That was the meeting spot for. . .

SB: I guess that's how you would keep in touch with what was going on or. . . .

KG: Certainly. You always looked around at who was having lunch with who, trying to guess what they might be talking about and why they were together. That and the Daily Oil Bulletin, sort of kept us informed of what was going on.

#025 SB: Did you have any other professional memberships or affiliations?

KG: I came to Canada as a member of the American Association of Petroleum Geologists but I joined the geological fraternity here, the CSPG and also the geophysical fraternity. I was not a graduate geophysicist but I had been working in the field for so many years and that was. . . both groups were very helpful in publishing papers and having meetings. The monthly luncheon of both those organization was well attended. We met with our peers and expanded our acquaintance throughout the industry and as new people came to town that was one place we got to meet them. I was a member of . . . was privileged to join the Calgary Golf and Country Club and although it was basically Canadian, there was a strong influx of people in the oil industry into the Country Club. Then there was the Oilman's Golf Tournament, which was a yearly thing, which happened over a week, but there always was ten months in the year planning for the next event and I was active in that.

SB: Are you a member. . . well, I guess there's APEGGA as well?

KG: I've never gone to APEGGA, in management I didn't find it quite as essential as when I had been. . . now when I was a practicing geologist, I had no future if I didn't join APEGGA. When I joined Dallas I was in the process of applying for membership, but at that point, you had to go through a lot of paperwork, I just didn't do it.

#046 SB: What do you feel are the respective roles of APEGGA and the CSPG, I know right

now there's a sort of controversy about geologists belonging to both of them, how do you feel about that?

KG: I'm not an APEGGA appreciator for the geologists and the geophysicists. I know that there's legislation that says I'm wrong, but that doesn't mean I have to accept it, acquiesce to the legislation. I'm not a believer in the dictatorial unionized type of requirements that APEGGA has. I think the engineers are better organized into that type of group and I think the geologists and the CSPG and the CSEG and the AAPG and the organizations in the U.S. are given greater liberties. Perhaps there should be some disciplinary group, but it doesn't have to be APEGGA. APEGGA, in my opinion has overstepped its bounds and controls and it's an autocratic group, that's the reason I never joined it, I avoided it with great deliberation.

SB: Do you feel that geologists can police themselves or do?

KG: The AAPG has never had any problem policing their membership and it's the largest organization of scientists in the world, I'm sure, there's at least 18,000 practicing geologists. They have a disciplinary committee. The Calgary chapter of the AAPG must have the second largest membership, short of Houston, and believe me, I know there's been geologists that have perhaps needed disciplining but there's no more geologists than there have been engineers. There's not nearly. . . the geologists within the petroleum industry have been a more reputable group than those in hard rock mining. I just have never seen the need for such strict controls.

SB: How do you feel about the future of the Canadian oil industry, do you think it's looking up?

KG: Yes, I do. I don't see any reason to say that the Canadian petroleum industry is going to be restricted by anything more than its imagination and its abilities to work in hostile environments and also to get down to work in far greater detail than we have been accustomed to working. For instance, when I came to Canada I had worked in parts of Texas that had a well, the well control was such that we had maps that were one inch to the thousand feet. I came here and we were using regional maps where we had four miles to the inch and I couldn't understand why we didn't need bigger, or larger scale maps. More paper involved in mapping one little area, but we were fortunate to have a well every third township so we certainly didn't need great scales, where you could have a lot of uncontrolled wiggles between points of control. Between the wildcat wells today, even though there's been about 20,000 wells drilled in Canada since I came, most of those were development wells. There's been a far greater contribution to the geologic control by the exploratory wells drilled and there are any number of fields lying in between. There are not any more, I'm sure, within Alberta, any more huge things such as Swan Hills or even Westro??? south, some of the larger reefs that I've been in involved in. Virginia Hills, they were big reef masses but don't forget that Chevron and others went into the old Pembina area, and with new seismic, found tremendous new reserves, perhaps not in great aerial extent reefs but they were still very profitable reefs that were right in where geologists had been working for many years and had been taking seismic records every year, reworking them and saying, there might be something there, but it's not obvious. What's obvious today was not obvious in many instances, ten years ago,

certainly not thirty years ago. The big things have been found, now we've got to find the little things. If we're given economic parameters that will allow us to drill exploratory wells and see a pay out in the event of discovery, those wells will be drilled and there will be geologists and engineers in Canada doing it, until there's no more land left. After all, there's still a bigger group in Texas, still drilling between those wells that exist today. And there must be twice as many today as there were when I left there 33 years ago. There is a future, now it may not have great staffs, as we had them five years ago, but there's still great areas that need to be explored and there will be reserves found. Not all of it. I guess it's safe to say, most of the big reserves have been found, but probably I'll have to eat those words if I live long enough. Because some smart geologist will come along, team up with some geophysicist and some land people and they'll find something else that we never thought existed today.

#119 SB: How do you feel about the frontier areas, do you think we're ahead of our time going into. . . ?

KG: Well, we certainly are. . . we are economically. We're spending money. . . Oakwood along with dozens of other companies in the Beaufort and places as remote as that in the frontier areas. And we've had to back away from our economic evaluations where we've put in a time factor. All we can put in there now is a poor guess or a question mark and just say, if we get it back in a certain length of time, we'll get back out dollars at a profitable level. It's still not going to keep us from having an improvement in the price of our product, which will telescope time, when they come on. But right now, the frontier area has the blemish of saying to a small company at a difficult time, predicting when it's going to get back it's hoped for return in a high risk country.

SB: Looking back over your career to date, what do you feel are your most significant accomplishments?

KG: I'm not one of those geologists that says, I found this or I found that, because how do you have 1,100-1,200 geologists in Calgary, all claiming that each of them have found reserves. My accomplishments have been really, putting together staff that were successful explorers for companies that came to Canada, from the first company to the present group. I've certainly had my opportunity to explore for the discovery of oil or gas, I've never gotten over into heavy minerals or coal or such as that. There are experts in that field that are better than I. But I have enjoyed creating staff, influencing them and seeing that they did their part and then we were successful in drilling wells and finding enough to support ourselves. One can't just support yourself, you always have other people. My associations have been successful in doing what was requested of us and that was to find enough to justify our existence.

SB: Which aspect of the petroleum industry do you think is going through the greatest change, since say, 1950, do you think it's possible to single out. . . ?

KG: I think there have been greater strides made in the seismic industry than there have been in the geological evaluation of data. It's not that the geologists have not made great strides, but I believe that the introduction of the computer and its acceleration of problem solving have had greater application in the seismic industry than they have in the

geological industry. The seismic people, they just never stop. Now that they have a machine that can crank out an answer for them in minutes, where it used to take a group of plotters and computers just to come up with a small section. Now they do it for you in a day and you can't believe how many man hours they can save with that machine. It's not replacing people because all of those early people developed methods and . . . they did the dog work, as I call it, for these great explosions of opportunities. All they needed was a machine that could do the arithmetic and projections for them with a greater speed.

#168 SB: And then it freed them to go on and . . .

KG: Yes, and think up new things and they move with such speed and they come forward with data that you have to believe because it's simplified, or if it isn't simplified, at least it's understandable. And yet, not all the answers are there, even today. So the geologists have to assist the geophysicists and vice versa. I don't separate them very far.

SB: are there any other things you'd like to add, in conclusion?

KG: No, except that I'm one of those who came to Canada seeking my fortune. I was sent to Canada but I came willingly. At three separate times, I made the decision to stay. I personally believe many U.S. citizens came to Canada thinking they would go back in 3-5 years, like any other foreign assignment. But it wasn't really a foreign assignment. The people you worked with were no different than you saw in Montana or Denver or Houston. And the Canadians welcomed us, most of us became Canadians and I don't know many regrets. I certainly have none.

SB: I'd like to thank you for the interview.

KG: I hope it's been helpful, thank you.