

PETROLEUM INDUSTRY ORAL HISTORY PROJECT
TRANSCRIPT

INTERVIEWEE: Dallas Hawkins

INTERVIEWER: Susan Birley

DATE: September 1983

SB: It's June 20th, 1984 and this is Susan Birley interviewing Mr. Dallas Hawkins in his office in Calgary. Mr. Hawkins, I wonder if you could just first of all tell us a bit about your early background and where you were born and raised?

DH: I was born in Houston, Texas in May of 1923. At that time my father was in the cotton brokerage business but shortly thereafter he moved himself and his family to Dallas, Texas and went into the oil business, principally in the Permian Basin of west Texas.

SB: Did he have a company?

DH: No, he was an independent broker and assembled deals, drilling deals, bought and sold royalties and worked strictly on his own. During those years and the years following, it seemed like everybody in Texas who had been there for more than one or two generations had some involvement in the oil business, either on land in royalty or they worked for an oil company or they dealt in oil company stocks or services. At least in my family there was no member of the rather extensive family that wasn't involved in the oil business in some fashion. I had an uncle, Wallace Hawkins, who was Vice-President of the General Council during the 1930-1950 period. He had a large influence in my life and was one of the outstanding lawyers in the southwest on oil and gas law. I had aunts, uncles and cousins that owned lands, royalties and dealt with oil companies, so the oil business was the only thing that I ever knew and it was just a part of it. I started to work in May of 1936 in Centralia, Illinois as a roughneck and actually cable tool dresser on a cable tool rig there because there was a large boom going on in Illinois and it was mostly populated with people from Texas. My father was working there, brokering lands and buying leases and trading leases and deals. I went to work to learn the drilling business when I was 13 and really never came back home after that. With exceptions for education and war, I've been involved since 1936 in the oil business.

#040 SB: Did you spend much time before your first job, on drilling rigs or around them?

DH: I started when I was 8, 9, 10. . .from about 8 years on, I was always out in the field with my father, on leases and started to work on leases as a grease monkey and cutting weeds and helping pumpers. So I grew up in the business since I can remember. It's always been a part of what you did. You were involved in the oil business. So that was the background I grew up with and then when it came time to get an education, I graduated from high school in 1940 I think, Highland Park High School in Dallas, Texas and then went to the Rice University, then called the Rice Institute in Houston, for several reasons, one of the prime ones being I could go there without any tuition. Rice was fully endowed in those

days and they chose their students and I was able to get in, so that was a plus when you didn't have any money. The other reason was they had an outstanding school of Chemical Engineering. In due course, in February of 1944, I received a Bachelor of Science in Chemical Engineering and promptly went off to war in World War II with the U.S. Navy.

SB: Did you have any reason for choosing Chemical engineering rather than Petroleum Engineering?

DH: Chemical was Petroleum in those days. There wasn't really much of a course in Petroleum Engineering, at least not at Rice and I don't think many schools. I subsequently, after the war, came back and took a degree in Petroleum Engineering, a Masters degree and did my Doctoral work at the University of Michigan at Ann Arbor, under George Grainger Brown and Robert R. White. Dr. Brown, incidentally was closely associated with, then, the Alberta Conservation Board and had done the initial studies on Turner Valley, the blow out??? of gas and what was happening in the reservoir because he was the leading scientist on research as to retro-grade condensation in reservoirs and what was actually done when you did what was done in Turner Valley, that is blow off a gas cap to recover condensate. That started of course, at least in the 1918-1928 period, when people in Calgary could see the flares or the reflection of the flares in Turner Valley from their front porches in Calgary. There was a lot going on in the 30's and 40's which was fundamental research dealing with the performance of reservoirs under varying conditions and the characteristics of various hydro-carbons. That was what I studied mostly at the University of Michigan, under those people, who were leaders. Incidentally at the same time, my lab partner and fellow student was an older fellow, maybe a couple or three years older by the name of George Gauvier???, who was taking his doctoral work at the same time. As a matter of fact, I think I attended George's wedding. He was then on a fellowship from the Alberta government, I think more or less to prepare him for his position as head of the Alberta Energy and Resource Conservation Board. George and I have been good friends since those days in Michigan, 1947, 8 and 9. After Michigan I went back to Texas and decided I would rather learn a little bit about how things worked from practical experience than from school books and went to work for a company called Comanche Corporation, which was a small independent oil company in Dallas, incidentally run by another historical character. The principal owner of Comanche corporation was a man by the name of Dr. Clarence Karcher. Doc Karcher was a professor at the University of Pittsburgh, when he developed and patented reflection seismology. And he was one of the first practitioners of that. He was a close friend of Everett Lee Degualier??? of Degualier, McNaughton and they together, did the first reflection seismic work that was ever done in the United States and Mexico. Found many substantial oil fields, some of which are still in production today. And incidentally founded a small company called Geophysical Services Incorporated, GSI, to do their seismic work. GSI in turn, founded a company called Texas Instruments, to make their equipment because no one could make it or there was no one available to make it, so Texas Instruments eventually became the parent and GSI the sub. But Texas Instruments today is one of the Fortune 500 companies, so that all started from the oil business originally and now they're very big in computers and all sorts of strange things.

#110 SB: Were there any other characters that you came across in your early years that excelled in deals and land plays and things like that?

DH: In those days, in the late 30's and 40's, in Texas, there were many people who had a large influence in the oil business. It was during those times that I met people like Clint Mercurson, H.L. Hunt???. . . , there's so many of them. Harry Moss was a man I worked for just prior to coming to Canada. Harry was one of the originators of the east Texas boom and incidentally he was a native Nova Scotian, which was quite a twist. He came from Nova Scotia to Texas and got into the oil business and did rather well at it. There were the people who built GSI and eventually Texas Instruments, like Phillip Johnson, there were the young Hamilton brothers, there was Harry Bass, who had a company operating in Canada at that time, there was Edwin Alcox. All these people were friends of my father's, who had a large operation going in Canada and eventually withdrew because of political problems in Canada, as many of the U.S. operators did. Because U.S. oil men are mostly pretty independent cusses and they can't stomach the governmental problems and interferences that have been going on in Canada for the last five to ten years. So many of them, as you will know historically, have withdrawn, either just quit operating in Canada or sold out or just got out of Canada, which is their only defense really.

SB: I guess the climate in the States was completely different.

DH: The political climate is certainly different. The oil industry is always a whipping boy in any country but at least the United States, it got a much fairer break than it has ever gotten in Canada. Particularly under the Liberals the last 15 years in Canada, the oil business has been progressively over regulated, over taxed and brought to its knees. Partly, not entirely due to the federal government. I think a good part of this blame lies at the feet of Peter Lougheed, because he was the one who in 1972 and in 1974, unilaterally started changing leases and putting in new royalty rates and new terms of the leases and increasing the royalties dramatically, to the point where the federal government felt it had to do something to protect its own interest. If Peter had gone about it differently and had shown more restraint, we may not have had the interference that we had.

#153 SB: How did American oil men view the Canadian situation in the 1940's and 50's?

DH: In the 40's and 50's, Canada was considered a land of great opportunity. The reason I came to Canada in July of '51, was because my uncle, Wallace Hawkins, with Mobil, knowing what was going on, by that time Leduc had been discovered and Redwater, he said, with your training and experience I would go to Canada because there's tremendous opportunity there. And there was. But that was before the government stepped in and started their programs. Canada was a relatively untouched, large, sedimentary area that had known potential. It just required a lot of time and money. And at the time I came in '51, it was at least 20 years behind the industry in the States, maybe 25 years. In terms of technology, service, infrastructure as to competent people, roads, drilling techniques, availability of rigs, anything you can name. It was so far behind, the only people in 1951 in Canada that had any experience or knowledge in the oil field, either came from overseas or from Turner Valley or from the States. There were a few from overseas, BP, Trinidad Petroleums, people like Charles Lee from Trinidad, a few from South America.

And a few pioneers like Matt Newell, who himself came from the States, but came early and was a drilling contractor in Turner Valley in the boom in the early 30's I believe. Matt is still around incidentally. You found people just didn't have the background to service the business properly. I remember calling in from Cessford to order some material from National Supply Company, who had an office and depot here in Calgary, and there was an Englishman on the phone and I asked him for some 2" valves and he said that they didn't have any. But when I explained to him what a 2" valve was, he said, oh yes, you mean spigots, we have some of those.

#192 SB: So you had to learn all the terminology.

DH: Well, they had to learn the oil field terminology because the oil field terminology world wide is constant. But we just had people that didn't understand. You couldn't get service, there weren't enough Slumberjay??? trucks, there weren't enough Haliburton trucks to go around and the people that were on them weren't as experienced or qualified as I'd been used to. As a comparison if I wanted something in 1951, even 100 miles from Calgary, I often had to turn around and drive in and get it because there was no service. To contrast with that, just before I had come to Calgary, I was drilling wells near Corpus Christi, Texas and every day there would be 3 or 4 salesmen calling on the rig, anxious to bring me anything I needed. So I say Canada was way behind, it was a real frontier, there just wasn't anything, other than a few experienced hands and a few oil wells. The new field that had been discovered in Leduc and of course, Lloydminster and the old Turner Valley field. And then if you want to go back far enough, Petrolia in Ontario. And that was it.

SB: I guess in a way it was because there was suddenly so much activity.

DH: Well it was. . .yes, there was nobody here to do it. And the oil companies were primarily, U.S. oil companies. Continental had Hudson's Bay Oil and Gas, BP from England had its own little company, McCall, Frontenac, later Texaco had its company. British American oils was here. It was British and it eventually became Gulf and McCall Frontenac became Texaco. Shell wasn't really here in '51 to any extent. CPOG, Canadian Pacific Railway had a tremendous amount of land, and I believe at that time they had one gentleman running the company and two or three clerks and they didn't even know what they had. They had so much land they couldn't deal with it. All of these things have changed over the years but the people that were here in the early 50's were brought here because there was no one else. And of course, they were resented by the Calgarians I think. I think all of the imported people felt certain resentment on the part of the native Calgarians, because generally speaking they were higher paid and more expert in their area. Calgarians resented their presence and their impact on the economy, what they did to the price of housing and the price of help and the price of secretaries and what have you. It had to happen.

#236 SB: Well, it probably meant that the entire province advanced more rapidly than it would have without. . .?

DH: Oh, it would have been forever if it had done it entirely with native Canadians. Sure, it would have been done but it would have been a foolish way to do it. Many of those

people who came to Canada in those days have become Canadian citizens, as I have, I became a citizen in 1967, as a centennial project because that was the 100th Anniversary of the Confederation I believe. There aren't many today, left from 30 odd years ago, who remain in Canada and have not become citizens. After you've lived in a country for 20 or 30 years you begin to feel some obligation to partake of the responsibilities of citizenship.

SB: Was there a very strongly developed fraternity of oil men when you came here?

DH: There weren't that many but yes, the oil fraternity is always strongly developed, wherever you go. It's rather a small world all over the world. There's a certain group that's in the oil business and some of them have lived in every continent and worked for several companies and they always tend to be the same people and you'll see them in Bahrain or London or Australia or Canada or Houston or wherever but they're the same people. So there's always been a close connection in those days. As a matter of fact, in those days the only decent place you could go and get a meal and have a drink, outside of the Palliser Hotel, was then the Renfrew Club, which became the Calgary Petroleum Club, which has moved its location and premises several times. But it was one of the few places you could go and relax and it was of course, populated almost entirely by oil people.

#269 SB: So you could find out what was going on. . . ?

DH: Oh yes. It was sort of a clearing house exchange for meetings and ideas and friends. There were a few old timers that had been in the oil business from the Turner Valley days, but very few of them that are still around. They were old timers 30 years ago. They've all retired or died or moved away, a large number of them have. It was interesting in those days but it sure was a frontier in so far as conducting the oil business in Canada as compared to conducting the oil business in say, the United States.

SB: Was the activity more hectic here than it would have been in the States?

DH: It was more hectic because it was more difficult. It was more difficult just to get one place to the other, the roads weren't even . . . well, the main road between here and Hanna was being rebuilt in those days and it was nothing but solid mud. Telephones, there was one little store at Cessford, it had one gasoline pump and a few groceries and also served as the post office and the telephone exchange. And one operator, who was on her exchange from about 7:30 in the morning till 5:00 at night and if you needed to make a call any other time that was too bad. You'd stand in line in order to make a call because there was only one line. It's a little different now. If it's a matter of importance it's easy to set up a mobile radio unit and talk to radio telephone operators and place calls from anywhere, even from your car but you couldn't do that then. It was hectic in that it was more difficult and that there were fewer people to do it with.

SB: I guess you'd have troubles with security too, in that kind of situation.

DH: Well, people didn't worry too much about security. Things were moving too fast. And a lot happened between 1950 and 1960 in the oil development here. Even that matter of rigs, I remember in '51 and 2, we were having to contract U.S. rigs on the basis that we moved them into Canada, we guaranteed them a daily rate, we paid all the expenses, everything, all the mud, water, chemicals, drilling bits, labour, lubricants, everything and in other words they had underwritten profit for every day they were in Canada and then

agreed to move them back. That was the only way you could get rigs. It's a little different from what it is today, where we have competent drilling contractors who are experienced, have the equipment, as a matter of fact, too much equipment. They're quite able to give you a contract price on a hole almost anywhere in Canada. But it was different.

SB: So when you first came to Canada you were working with Canadian. . .

DH: I came up with. . . Frank Schultz was the head man for Dalhi??? Oil Company in Dallas which was controlled and owned by Clint Mercurson Sr. Incidentally I went to school with Clint Mercurson Jr., who is now passed away, but I knew the Mercurson family and Frank hired me to come up and look after Canadian Dalhi, who later became. . . is not part of Solpetro. But my job was to take care of the engineering and drilling.

SB: I'll just change the tape.

Tape 1 Side 2

SB: Okay, you were just mentioning Canadian Dalhi.

DH: The whole purpose of Clint Mercurson's operation at that time was to establish reserves in western Canada of natural gas in order to provide a backing for the building of the Trans Canada pipeline. There were two competitors for the right to build the Trans Canada pipeline that wound up in the lead in the competition and the story goes that C. D. Howe put both in a room and said, don't come out until you've resolved it between you.

SB: Who were the competitors?

DH: One of them was Clint Mercurson and the other one was Milner??? in Edmonton, not the present generation but . . .

SB: Ray?

DH: Ray Milner. And the net result was there was one company who won the franchise but it was owned partly by the Milner group and partly by the Mercurson group. The Trans Canada pipeline as you know, was in due course, built. But it had to have reserves on one hand and a market on the other. Canadian Dalhi's raison d'etre was to find reserves and identify reserves, so we were doing drilling in Alberta primarily, to find reserves to go into the Trans Canada pipeline.

SB: How did you go about acquiring acreage?

DH: They bought acreage and they took farm ins and they drilled quite a number of wells. In those days there was a gentleman by the name of Ivan St. George Burn, who was in charge of land acquisitions and Ivan had many years experience here, going back to the Turner Valley days. I believe he's now retired and living in Victoria. He was in charge of the land and a gentleman by the name of Smiley Rayburn, who was in charge of the office and the liaison with Dallas and I was supposed to be in charge of drilling. We had an accounting department and so forth and so on. Our first office was, as I remember it on the corner of 8th Avenue and Centre St. in the old bank building on the S.W. corner, which has since been torn down. It was a beautiful old sandstone building with a round turret and we had the upper floor of it. Later on, in less than a year we moved to a brand

new building, which was the highest building in Calgary at the time, other than the Palliser Hotel, which was the Baron Building and we had an office on the 10th floor, way up there. Of course, today you can't find the Baron Building but it's still there. We did our job. I didn't stay with them but for about a year and then I went into the drilling business and I became partner and general manager of a company called Scandia Drilling. Which was backed again, by a bunch of U.S. investors. We had four medium sized drilling rigs in Canada and we were drilling in Saskatchewan and Big Valley and Alberta for, mostly then the majors, Gulf, British American, some for Shell and a few independents. That company was eventually taken over by Norm Gustafson, who has since passed away. Norm was one of the early, good drilling contractors in western Canada. I left that company in 1953 because there was a marked downturn in drilling activity and the owners decided to liquidate the company and I then went to work for Sun Oil Company in their Drilling and Production Department.

#064 SB: In Scandia, who were the principals in that company?

DH: In Scandia. Well, they were not really involved much with the oil business. They happened to be 7 Scandinavian gentlemen who found the biggest platinum mine in North America and they had a lot of money they had to invest and they lived in the general Seattle area. The Good News Bay Mining Company from Good News Bay, Alaska, actually. That's a whole other interesting story. That mine was the largest producer of platinum outside of Russia in the world in the 1950's. They were not really involved too much with it, but there was a man who was involved here in the oil business, that they used as their representative, a fellow by the name of James Boodie Dodson???, Jim Dodson, who was an Alaskan bush pilot and was familiar with Canada. He came to Canada searching for opportunities and brought the Scandinavians in to form Scandia Drilling and Jim was well known to many of the old timers here. He brought me in to add to the technical side of the drilling business. Jim is now dead and his children have moved back to Alaska. Jim knew many of the old oil company people here because he had been the distributor for Union Oil Products in Alaska and knew through Union Oil, a number of the oil people. So again, it becomes a close knit little group of people that know each other over a long number of years generally. But no, the Scandinavians weren't too much involved really, in Canada, other than through this drilling company.

SB: Would they have much understanding of what was required in a drilling company?

DH: No, that was part of the problem. They really couldn't see the return for the risk that was involved in drilling. And really, drilling contractors have a hard row to hoe financially, because they take an awful lot of risk. At least in those days we took a lot of risk contractually, with no hope of reward if the operation were successful, because they had no ownership in the oil and gas. At any rate they got out of the drilling business and I went to work for Sun. Sun, of course, had been in Canada for a number of years, principally in the marketing and refining business in eastern Canada, but they had a presence here. In those days Sun was a family controlled company, the Pugh??? family. It had been founded by the grandfather and was still being run by the grandsons and the great-grandsons. It was a protective sort of a company, if you did your job and behaved

yourself, they'd take care of you forever sort of. But there were some interesting people in the business with Sun, some of who are still very much around, like George Dunlap. He was the General Manager of Sun at that time. Was and is a very energetic person. Most of the Sun technical personnel were brought up from the States, because again, lack of experienced people in Canada.

#109 SB: Did the family exert very much influence on the daily activity?

DH: Yes, well, they controlled the budget and who did what so they were. . . That's all changed now, because Sun merged with another company in Oklahoma and has since gone through a change in management. I think the Pugh's are entirely out of the management now. And their attitudes have changed. But other than drilling a few wells up in the Northwest Territories and northwest British Columbia. . . that was an interesting thing too. About that same time, Sun, being in the refining business, was interested in the Athabasca Tarsands and indeed had a permit. One of the jobs I had early on with Sun was to fly up to the Tarsands and supervise the loading of 25 barrels of bitchmun??? into steel drums and shipping it to Pennsylvania so that they could experiment with extraction methods and refining. As you know, Sun built the first commercial Tarsands plant. That was built really on the say-so of Mr. Pugh. The story goes within the company that the Board of Directors over the tremendous expenditure to build that plant and finally Mr. Pugh said, well, gentlemen, if the Board does not want to build the plant, I will build the plant personally. And he could have. So they decided to build the plant. Although it lost money on the books for a number of years, it's now a money maker and it's been a pioneer in that particular activity. There were other plants built previous to that but they were never commercial successes and were not viable over any length of time.

#136 SB: I imagine it was seen as ahead of its time.

DH: Oh they were ahead of their time, maybe 5 or 10 years. It was the leader and it has been successful and Mr. Pugh was right, it should have been built. At any rate, after a few years with Sun. . . oh another part of the Sun thing that was interesting. About that time, I believe it was Imperial, was drilling a lonesome exploratory well down in southeast Saskatchewan and struck oil, light gravity oil. That was the first light gravity oil in Saskatchewan. It so happened that Sun had some leases offsetting the Imperial discovery so I wound up, found myself in southeast Saskatchewan drilling. . . I believe that year we drilled 58 oil wells. Not one dry hole. They were almost all new fields, new discoveries. The boom was really on in southeast Saskatchewan. All those fields, [Steelman, Ticarnda]???, were developed along the Mission Canyon outcrop edge there and it spilled over into Manitoba. I opened an office for Sun in Brandon and we drilled any number of wells in Manitoba that were productive and are still productive today. Manitoba didn't know much of the oil and gas business either.

SB: Was that an advantage?

DH: Not really. The land owners certainly found it an astounding thing to see people come in with all this machinery, messing up their farms. But it was an advantage to Manitoba, it added a dimension to their economy. Because of the nature of the geological basin,

Manitoba didn't have but a small part of the province that was a potential for oil production. More recently, the Manitoba projection has been extended by new discoveries and new horizons but it's still in that very southwest corner of the province. But anyway after a few years of drilling all over western Canada for Sun and putting wells on production, I decided to take an offer from an old friend from Texas, a gentleman by the name of Alcar H. Meadows, who was the controlling shareholder in a company called General American Oil Company of Texas. I had known Meadows and his colleagues when I was still living in Texas and he controlled a company in Canada called Fargo Oils Ltd. Fargo had an interesting history, it was founded by a group of seven. . . it wasn't founded by them but they were large shareholders, but they were a group of seven Vancouver businessmen, two McClellan brothers and their associates, who had filed on large blocks of permits in northeastern British Columbia and they traded those permits to Fargo for shares. It had actually been founded by. . . I'm trying to think of the man's name, it's not important right now. But Fargo was a small Canadian company and Meadows had acquired control of it and he wanted somebody to help him run it so I left Sun and took over as General Manager and Vice-President of Fargo and was with Fargo for about six years until about November of 1963. I left to start my own business. Fargo has since become a part of Canadian Reserve Oil and Gas Company, controlled by Reserve Oil and Gas from California. After that move, it's gone into Getty. So Fargo's main claim to fame was northeastern British Columbia and Lloydminster. We operated something like 250 wells in Lloydminster. We found the first commercial light oil in British Columbia, up in northeastern B.C., a field called Blueberry.

#205 SB: Had you had any contact with northeastern British Columbia land through your involvement with Sun Oil?

DH: Sun, they were involved. Sun had farmed out some of their lands in northeastern British Columbia to Fargo. So, these things tend to interlock all the time. We did find oil up there and we found a lot of gas, then we in turn farmed out certain blocks of acreage to a company called El Paso Natural Gas Company, who also happened to own the big interstate pipeline, El Paso Natural Gas in the United States. They in turn discovered the Disjil and Pedatil??? fields and any number of the smaller fields in northeastern B.C.

SB: To go back to Sun for a minute, did you know Doug Brown very well?

DH: Doug and I were contemporaries and we worked together. I just learned the other day that he had passed away. We were very good friends and we worked on some of the same things together. He was more the office type engineer and I was more the field type engineer but we worked very closely. In that Sun group, it's funny, there were a number of people there who became entrepreneurs. J. D. White for one, now runs his own little company called Menackie??? Minerals and he was in the Land Department at Sun at that time. Another one in the Land Department was Gordie Raymond, Gordie Howe, Vic Trudell, all these people left Sun and went out on their own and did very well for themselves. Another chap that was there about the same time was a fellow who became a senator, I didn't know him very well, I can't think of his name either but he's one of our Calgary senators. I believe his claim to fame was that he had once run in an election and

been defeated for an MP seat from Calgary. But it was interesting that so many people who were with Sun at that time, another one was George Collins, decided to go off on their own and do their own thing and most of them did very well.

#245 SB: Do you think they were inspired by Sun's organization or something like that?

DH: I don't really know what . . . I can't assign a cause. It just happened that they had that mix of people I guess. At any rate some of those people are still around, some have retired.

SB: Mr. White you mentioned, did he form an association with Lloyd. . . ?

DH: Now, that was a different White. J. B. White was an old time Texas oil man. One of his favourite sayings, I remember when we used to talk about where we were going to drill a well, he'd say, well Dallas, I don't know, I'm just old fashioned enough I like to drill right in the shadow of a derrick if I can. He always preferred to stick them in pretty close. He was a partner with a gentleman by the name of Abe Lloyd. Abe Lloyd at one time, had been Chief Geologist for Sun Oil Company. Abe Lloyd and White were the groups, the people that drilled some of the initial wells on farm ins from Sun Oil company that Fargo was involved with. So we worked together. J. B. White has passed away and he had a sone, Joe Bob White who moved to Calgary and was running a drilling company, Dallas Drilling. Joe Bob was a prominent drilling contractor here for a number of years, moved back to the States and unfortunately he's passed away. He was involved in an airplane accident. But that was a different White. The J.D. White I referred to previously is a J. Douglas White, who has an office here in Calgary and he's still very active in the oil and gas business.

SB: What was the nature of the farm out agreements usually?

DH: Well, the farm out agreements in those days were generally pretty simple; if you'll drill a well or two wells or whatever number of wells on this huge block of land, you'll earn half interest in it. Or you do so much seismic and have an option to drill a well and so forth. Now, instead of talking about 150-250 thousand acres, we're talking about 8 or 9 sections. But it's still the same general plan, you take the risk and having taken that risk, win or lose, you have an interest in the land. That's still the pattern we use. And as a matter of fact, that's the pattern that came from Texas originally.

#289 SB: I guess there were a lot of things that the Alberta government borrowed from Texas.

DH: Well, yes. The first Chairman of the Alberta Conservation Board. . . I'm not quite sure about this, but I think the first Chairman of the Conservation Board was from Texas.

SB: Was it Connode???

DH: Bill Connode. He had a son Bill Connode Jr. who lived in Calgary but I haven't seen him recently. Bill Connode was from Texas, either a member of the Railroad Commission or he worked closely with the Railroad Commission. What he did essentially was to adopt a group of rules and regulations very similar to the ones that were then enforced on the Texas Railroad Commission. In those days, in the early 50's we had no difficulty dealing with the Conservation Board, because we were used to the rules and regulations. It was really very simple, you had about 3 or 4 different forms. You had a form to get a permit to

drill a well, another one to complete a well and another one to drill a workover and that was about it. Today, if you want to drill a well it takes about 14 different forms and approvals from Boards before you can even start. Everything from water pollution to archeology to municipal districts to . . . it was a lot easier. At any rate, Bill Connode brought the original system here. And of course, his successors, including George Gauvier have refined it and modified it and made it more applicable to our situation here. But some of the principals still exist. The idea of a complete repository for information, cores and logs and well history, which is available to anybody with certain exceptions, that is, if you have a discovery, you're allowed to keep it confidential for a certain length of time. But that idea came from the Railroad Commission and it's not universal. In some jurisdictions, for example Ohio and Kentucky, you cannot find out anything about wells that were drilled 10 years or 20 years ago unless you happen to know the company that drilled them and they happen to still have the records. But it's been a good system here and it's served everybody well. It's just that the Conservation Board has and keeps, is entitled to, all the information on the wells and it becomes a part of public property. So that's helped. Mr. Connode was quite a man, a very forceful man and a pretty good gin rummy player too.

SB: That's the end of the tape.

Tape 2 Side 1

SB: I guess we're up to about 1963, do you want to continue?

DH: Yes, well, Marwood was formed before that. I think I formed Marwood in about 1960 or maybe it was '63, I've forgotten, it's in the records. The point is, at that time it was a one man company. I did my typing at home at night, I typed the letters and mailed them and bought the stamps and did everything and ran around putting deals together. Generally as a ???, I would take a farm out from one company and sell it to another and retain cash money and an override or carry an interest or something like that. By doing that for a number of years, and incidentally I made more money doing that than I've ever made before working for anybody else, I built up an inventory of property. Producing properties, interest in lands, and some protection, some drilling wells and so forth. So, about 1967 or '68, my friends at Norcen, it was then called. . . what was the name of it before it was Norcen. . .

SB: Sigal???

DH: Sigal, yes and before that it was even something else.

SB: Pathfinder?

DH: Ed Galvin and Eddie Battle and those people, with whom I'd made a number of deals, said look, we have this little company called Okalta Oils, in which we own 70% of the stock or 78% of the stock, and it's a hardly able company, it's got \$3 million worth of debt and it's got some production. The way it's going right now, it'll be able to pay it's debt off eventually but there's not going to be a lot left over after all that and we don't feel like the shareholders are being properly represented, would you sit on the Board with us to represent the outside shareholders, so I said, yes, I'd be happy to. So for a year or more I sat on the Board of Okalta Oils, representing the small percentage of shares that was not owned by Norcen. Okalta was a very interesting company because it had been founded in the early days of Turner Valley, by some very interesting people and it had had a very remarkable history. At one time its stock was selling for in excess of \$100 a share. There weren't many shares. It participated in a number of wells in Turner Valley, which had the name Okalta 1, Okalta 4 etc. And those wells, some of the are still producing today and we still own them. But because of the vicissitudes of the oil business, in the intervening years it had spent more money than it had and it had sort of been taken over by the banks and then later by Sigal. Sigal took it over because they were hoping that the Turner Valley water flood and gas flood would increase the reserves and the production there enough to make it worth a lot more. As it turned out the Turner Valley flood did not make that appreciable a difference in the reserves. So they felt there wasn't much point in their holding on to it. So I went to them one day and said, look I'll buy this company, I'll buy all of your stock in this company. We made certain arrangements and I did in fact, buy the stock. But it was Marwood that bought the stock and Marwood didn't have enough money to buy all the stock, but I got a few friends together like, Mohammed Aiden???, Moose Aiden we called him, the geophysicist and Jack Wall, who was at that time running Lewis Engineering. And a few other people and with their help we managed to buy all of Sigal's holding in Okalta Oils. That happened. . .

that agreement was made about November of December of 1969.

#059 SB: Were the Heron??? brothers still involved in . . . ?

DH: The Heron brothers were completely out of it by that time. It was the Heron brothers father that had founded the company and at the time that he founded the company he was a dray man. He was hauling oil out of Turner Valley, with mule teams in wooden barrels. That was 1925. At that time incidentally Turner Valley was the largest oil field in the British Empire. It was something of an anomaly, it created interest all over the world. Indeed, it first brought Canada's potential as an oil producing country to the attention of the world's scientists and businessmen.

SB: Did they have then any producing. . . ?

DH: Okalta. . well, at one time it was one of the largest producers in Turner Valley. The major companies producing in Turner Valley in the 1925-1930 period were Okalta, and Home and British Petroleum and British American. But times change.

SB: And they didn't really develop any interest outside. . . ?

DH: They tried. Oh, they had other properties but the problem was they drilled too many dry holes in northern Alberta in the interim and they spent all their money and all they could borrow. It was a management problem. But anyway the Heron's were completely out of it and had been for a number of years before I took over. So it was the Annual Meeting of Okalta Oils held in Calgary, May 29th, 1970. There were a number of the original shareholders, who were older people from Turner Valley and Calgary, who had a great loyalty for the company and had had through all these vicissitudes and problems and bankruptcies and so forth that the company had been through. What I proposed to them was a complete restructuring of the company. There were 7 million shares outstanding at that time and I and my group owned about close to 80% of them. And of that, I owned about 50% of them. So I proposed consolidating the shares, 1 new share for 7 old and changing the name from Okalta to Oakwood. And I further proposed that we would sell certain properties to pay down bank debt and have a little money to go exploring with. And that's what we did. So Oakwood, the name came into being. And it was sort of a combination between Okalta and Marwood. So it became the name of the company, it's the same company that was founded in 1925 with a different name.

#092 SB: Did any of the original staff from Oakwood. . . ?

DH: There was no staff, I was the only staff. My first employee was my secretary, Trudy Kerr, who had a good deal of experience and became one of the early land ladies, who are member of the Alberta Landman's Society. Trudy acted as our land lady, land person, land man and secretary and from 1970 till about '75 we struggled with very little money to build the company up. Gradually deal by deal we started making the company more and more money and we were fortunate to get the confidence of the few substantial investors who put money into the company and incidentally made a lot of money out of it. With that money we were able to buy a little production here and there and do a little drilling here and there and first thing you know, we had a small profitable company. By 1975, we really started moving. We made deal after deal for the last 9 years. I can't even

recite all the companies we bought. The last two being Con Ventures and New York Oils. But one of the biggest deals we made was about 1977 or '78 we bought a company called Bassett Oils from a gentleman by the name of Ted Rozsa. Ted Rozsa incidentally is someone maybe you should meet. Ted is a very interesting man and quite an individualist, but he had . . .the short story on Ted is that he was brought to Alberta as a geophysicist, and he developed his own geophysical contracting company. He did seismic work for people and he sold that company and took his money and went into the oil business, exploration. And Ted acted as his own geologist, engineer, well site man, completion man, producing man, everything. He had at the time we bought the company, he had himself and his son and his son-in-law in the company and that was it. I think one secretary. And they were producing in the Grand Forks area, about 3,800 barrels a day of oil. And he reached a decision that he either had to get much bigger so that he could properly spend the income or he had to sell out. He was paying too much tax and the only way to avoid paying tax would be to drill it up and to drill it up that requires more people. Ted isn't really a big organization man, he likes everything himself. So he made the decision to sell. I heard about this very late, maybe 30 days after he had talked to 3 or 4 or 5 companies that he thought were eligible to buy the company. They had been working on it and some of them had given him bids. Through a friend, J. D. white, I went to Ted and said, what about us, let us bid on it. And he said, I didn't think Oakwood could handle it, I want \$80 million. Of course, I didn't think Oakwood could handle it either but we wanted to bid on it so we went to work and within 6 days of the time we got the data we made him a formal offer to buy it for \$80 million. And that day was the closing day for his bids that he had set up.

#146 SB: So you were able to interest enough investors?

DH: No, I didn't interest any investors, we went to the bank and borrowed the money. Strangely our bankers here, the Royal Bank couldn't see it, they were prepared to lend us, I think \$65 million but not \$80 million. We had our engineering work done and we thought we could increase that production to 7, 8, 9, even 10 thousand barrels a day and they didn't quite believe us. But we did persuade the Continental Bank of Illinois that we could do this. It was a very interesting morning, when it came time to sign the final documents because I had my Board in the Board Room to approve the deal and Dick Ginson???, who had come from the Royal Bank and joined us, was in his office talking with the Continental Bank on one side and I had Ted Rozsa in my office, trying to keep him quiet until we could get the money arranged and it all worked out. It was one of those situations you know, if something didn't work the whole thing was out the window. But getting back to Ted, that night, the night of the closing of the bids, at 10:00 at night, another company here, went to Ted's home and made him a bid, exactly the same amount of money that I had bid, \$80 million. And he came into see me the next morning and he told me what had happened, he said, Dallas, this has happened, I said, Ted, I'll up my bid another million dollars if that's what it takes. He said, no I don't want that, you made your bid, you made your bid within five days, these other guys took over 30 days and they horsed me around and they were late getting in with their bid anyway, you've got the

deal. He's that kind of a man. He's a very, very fine man. At any rate, in due course we bought the property and in fact, we did increase the production. The production in that field is today producing in excess of 9,000 barrels a day and it is our major producing property. We've developed it of course, drilled a large number of other wells and improved the ones that were there. We do very well at that sort of thing. I think it's one of our strengths in this company that our group can take a property and improve it from a production and engineering stand point to make it worth more money.

#186 SB: It seems like that was a problem in the 50's and 60's, there were a lot of Canadian independents that weren't able to run an efficient operation.

DH: They just lacked the background shall we say. They didn't have the knowledge and expertise or the financial backing to do it. It's something we have built our strengths on and we are still doing that today. We are buying interests on wells, or taking over operations or taking over companies for that matter. And taking the same assets, we're able to squeeze more out of them. That's because we have such a good group of people.

SB: so I imagine your staff increased a lot then, after that.

DH: Yes, I think when we made that deal our staff consisted of 13 people or 15 people, not over 15. Today it's 147. So it has grown.

SB: How did you find it operating in the Canadian political climate at that time?

DH: Originally Susan, politics wasn't that much of a problem. I was just telling some people a minute ago, in 1951 when I first started drilling wells in Alberta, it took \$50 and one piece of paper, an application form, to get a license to drill a well. Today, I think our people tell me it takes 17 different pieces of paper to get a license to drill the same well. So what's happened is that bureaucracy and politics have flourished while thin industry flourished. The first political intrusion in the oil business. . .let me back up a little bit, when Manning was Premier, he himself was absolutely straight forward and dealt very fairly with everybody and there wasn't a bone in his body that would let him do anything else. He was just that way, he was that kind of a man. When Lougheed became Premier, the revenues of the oil industry had gotten to the point where the federal people were getting very upset about it because they weren't getting any and the provincial government was getting a lot. To make matters worse, in 1974, Lougheed unilaterally, on his own decision, changed the ground rules of the industry. Now he had that power legally but it wasn't morally right. What he did, he did two things, he increased the royalties dramatically, and secondly he decreased the term of the lease. Crown leases had always been 21 year leases and he cut them to 10 and even less as time went on. That showed such a lack of responsibility in my view and it was only a matter of greed. There was no other reason for it, that I got so upset with it that I left the country. I moved out of Canada and moved to the United States. Because I felt there was very little future left with that kind of politics.

#238 SB: I guess a lot of companies did around that time, take a second look at things.

DH: The company stayed here and continued to operate but I just lost all interest in it because the oil industry is so subject to government regulations all around the world that the basic

building block on which you build a company is trust and confidence in the rules, whatever the rules are, you play by the rules. But the rules can't be drastically changed, unilaterally, quickly. They have to . . . because it changes all the values of everything. It changed the value of land, changed the value of oil and so forth when you do things like that. At any rate from '74 to '80 I lived in the States. By that time the feds had gotten in and they were working on how they were going to get their share of things. Donald Macdonald, he and I had a heated exchange of words one day in the dining room of the Palliser Hotel about the difference between royalty and tax. Of course, he didn't see any difference. But royalty, the concept comes from the Spanish kings, because even back in the days of Ferdinand and Isabel, Spain was a mining country. It produced a lot of gold, silver, lead, tin and under the laws of Spain at that time, the king owned all the minerals. The king made deals with people, with his subjects, to exploit, to mine various things, retaining to himself an interest, which was called a royalty because it belonged to the king. That interest was always one eighth. One eighth of everything that they found belonged to the king. They could keep the other seven eighths for their trouble. That system was transported intact to the province of Mexico, when Mexico was a province of Spain and indeed all of South America. When Mexico became a nation by revolution it adopted the Spanish mining law. When Texas seceded from Mexico in 1936, it in turn, adopted the Mexican law. Then the Congress of the Republic of Texas met and confirmed ownership. . . and this is a very different twist, they confirmed ownership of minerals, not in the State, except on State lands, but in the person who owned the surface. So the settler settled and got a title from the State, he got the minerals. Then the practice grew up, over many, many years, beginning with Spindletop???, Colonel Drake in 1859, commercially, that individuals who owned land, leased it and the oil companies were prepared to pay them the same royalty that the old system had been, that they paid the state, whoever the state was. So royalty has by tradition and law, been one eighth. Indeed the royalty in Alberta in the early 50's was that or less. Then it started going up as the politician's got greedier and greedier it kept going up. Then the feds said, hey, we're not going to let you take royalty as a deduction, [you've got to include it on]??? your income tax, your federal income tax, which was a form of taxation. Macdonald called it royalty, but it wasn't a royalty, it was tax, pure and simple. He's a bigger man than I am and he's got a louder voice so he won the argument.

SB: Did you get involved with IPAC or any of the other Canadian independents?

DH: I'm a lone wolf, I do my own thing. I'm not a joiner. What I have done, when there's an issue with the government, I do go to Ottawa, take the necessary people with me, be they lawyers or engineers and I go to either the Members of Parliament or to the Departments involved and present the case. I prefer doing that individually rather than letting some group do it for me.

End of tape.

Tape 2 Side 2

#024 DH: As a matter of fact, I still do that now. Now, we use a professional lobbyist to help us make appointments and to introduce us to the right people and the right departments to solve a certain problem. But my involvement with either the provincial or the federal government is more direct. That's just the way I prefer to do it.

SB: Did you ever feel that you were at cross purposes with the so called majors?

DH: Yes and no. The majors have a different viewpoint thank goodness. You see, there are really two oil businesses. To a layman they thing that Exxon and for example, Oakwood are in the same business and we aren't. We're only partly in the same business. Remember that John Rockefeller didn't start out owning oil and gas and exploring for oil and gas, he owned refineries. That's how he got into the oil and gas business. The majors are, without exception, integrated. They are fully integrated, from exploration through production, transportation, refining and marketing. An independent, like most of the Canadian companies, are not integrated. They are strictly explorers and producers. Maybe they're into transportation a little bit, but that's it. They're not in refining, they're not in marketing. There in lies the difference. If you're a refining and marketing company that's a different business entirely from what I call the oil business. That's the same as the shoe business or the grocery business, you're retailing a product to millions of people. And that's not the business we're in. The oil business to me, is the romance, the failure, the success in looking for oil and gas in the ground, finding it and producing it. From there on I lose all interest in it. The majors having a different business, being in a different business, have a different viewpoint. To them the exploration and production business is only a part of their business. They make money on every step of the way. They make some years, more money on refining a barrel of oil than they make producing a barrel of oil. That hasn't been true recently, because they're finding, in Canada particularly it's been over billed and it's over age and it's not profitable and the markets in Canada and the United States have been squeezed by OPEC and they're just not today, as big as they were. Indeed they probably won't be for some time because people have changed their habits. They've changed their automobiles, they've changed their waste habits, they turn off lights, they insulate their houses, they do things to save energy. So that's had an effect.

#054 SB: Do you think the majors have more of an influence on gaining government support for their. . . ?

DH: No, I don't. As a matter of fact, I think they're at a disadvantage. You see, companies don't vote. They have a legitimate viewpoint and I don't think it's right, morally right to tax or regulate the majors differently from anybody else. At least in the production end of the business they're the same as we are or any other Canadian. If the law is right for one person, it's right for another. There shouldn't be a separate law just for foreign owned companies and that's what all this [FERA and PIP and CORE]??? and all this other business is about it foreign ownership and they were trying to hurt the majors. What they

succeeded in doing in fact, was hurting the Canadians, not the majors. The majors are fine thank you. And they always will be because they're not just in the oil business. But what they did, they regulated the production end of the business and that's what hurt the Canadian companies. The majors weren't hurt by that at all. No, we have different time frames, we have different viewpoints, we have different economics, the majors versus the independents but I don't fight with them. I find them good colleagues and good allies sometimes. Canada needs the majors frankly. Look at that big red building out there. That's a major built by the Canadian government.

SB: Do you feel that the Canadian government would have helped in I guess, getting Canadian companies started if they. . . could they have forced Canadian banks to have been more responsive to backing Canadian companies?

DH: Well, Susan that's sort of a complex question. First of all, no bank today even, will lend money to someone just to go out and explore for oil and gas because it's too risky a loan. The banks won't do that. And they shouldn't. Because they're only going to be lucky so many times and the rest of the time they're going to end up holding bad paper. It's not the banks, it's the entrepreneurs and the investors that found oil companies. The banks only supply a service of lending money against proven collateral. They don't do it. What I did find in 1951 when I came to Canada was that most Canadians would not invest in an oil company. They didn't understand it. They were investing in manufacturing in Ontario, they were investing in steel plants, they were investing in cement plants, they were investing in real estate, railroads, automobiles but they would not invest in the oil business. So in fact, they original companies here, most of them got their start from across the line. From U.S. investors, or they were U.S. entrepreneurs who had saved a few bucks and did their own thing, gambled with their own money. Canada did not . . . the average Canadian did not help. It was not considered a smart thing to do to invest in an oil company. Now, the majors got their start because they were already operating in the States and they saw Canada as a potential producing area. They took some of their money and spent it here and found oil eventually, starting in '49 and grew from there. But it was their money that they invested and they're entitled to their profit on it. Most of the Canadian oil companies got their start, either from help from the States, or from the very few people that understood the oil business in Canada. And it was hard getting money, very hard. You sure couldn't borrow it from the bank, not the kind of money you needed. If you were successful, sure you could borrow, against that success. But you drill a dry hole and it has absolutely no collateral value at the bank.

#109 SB: I guess the tax laws in other countries, like say, the ones that. . .

DH: As a matter of fact, Canada hurt the oil business in the early days, because they did not allow write offs. And it was really, if you took a Canadian company, in Calgary, owned by a Canadian, with Canadian money, was at a disadvantage in competing with a Canadian company organized in the United States and backed with U.S. money. Because they got write offs for things down there that we couldn't get write offs for here. It was more attractive for the U.S. investor to drill wells in Canada than it was for a Canadian to drill wells in Canada.

SB: Doesn't make much sense when you look at it that way.

DH: No, it doesn't make sense but that's the way the law was. That's now been mostly changed. Now you do get write offs. The two systems between U.S. and Canada are somewhat different but nonetheless they are compensating systems. They're about . . . the difference in the tax laws in the two countries are not that great. Today a Canadian company is not at a disadvantage compared to an American. But it wasn't that way in 1951.

SB: Was there any difference between the Canadian entrepreneurs and their American counterparts?

DH: Well, there weren't very many Canadian entrepreneurs. There were a few. The people that I found in Calgary in 1951 were an interesting mix of people. There were those people who came from Petrolia Ontario, or from Turner Valley, who were Canadians, a large number of them. A great number of the ones from Turner Valley weren't. They were Americans that had come up in the early boom in the 30's. Matt Newell for example. He first went to work in Turner Valley and then later on when the boom in the 50's came in Alberta, he was already here. There were a few like that but there weren't many pure Canadians because there weren't many Canadians that knew anything about the oil business. If they hadn't worked in Turner Valley or Petrolia there was no other place for them to have worked in Canada. So what happened was, a lot of the jobs were filled here, and indeed I was brought up by an American company, by people from the States, or from England, a lot of them from England. Not necessarily directly from England, but they were English people who had worked for oil companies around the world, oil companies like BP and Burma Oil. They may have worked in Trinidad, like Charles Lee, who was English and is now retired but spent a lot of his working life right here in Calgary. But he had his background in Trinidad, from England. That kind of person you found here and there were some of those, but they weren't Canadian. There just weren't many people who were Canadian that understood, not just being an entrepreneur but they didn't. . . there weren't many Canadians that even understood our hardware, a drilling rig, a line pipe, a valves, blow out preventors, this was all strange stuff to them. And actually Canada has, I think done, over the intervening 30 odd years, we have built up a body of people, who are Canadian, who do know all these things, and have done the work, they are experienced they have the expertise. But we didn't have that in 1951, it had to come from somewhere. So it came from wherever they could get it.

#153 SB: You also mentioned that you hired Link and Knoss to consult. What was it do you think that made them successful?

DH: Well, again, they were not trained in Canada, they were trained in South America, working for the majors, like Exxon, then called Standard of New Jersey. Ted Link was a Canadian I believe, I don't think Art Knoss was. And then they were brought back into Canada by major companies, who were moving into Canada in the late 40's and early 50's. And then they left those companies and formed their own consulting firm. One of the few. Take Rod McDaniel, he's one of our leading consultants here, he is a Canadian, and he is top of his field. But he got his training in the oil fields here in Redwater when

they started developing, but he had to go to the University of Oklahoma to get his education because there were no schools in Canada that taught this.

SB: Do you think there are any fields that Canadians have improved on over. . . ?

DH: It's hard to say Susan, one way or another. Because our industry is really a world wide industry. Sure, I can think of one thing Canadians have done in hardware, and that is develop the muskeg transportation equipment. Because it was a Canadian problem. That went through several hands and several stages but they did come up with a successful piece of equipment that could work in the muskeg. And it's indeed been imported now by the Russians. But most of the other stuff was already sort of there. The manufacture or the design was in England or the States and it was just simply imported. Later on, Hughes Bit Company rented their design rights to their bits to a group of Canadian drilling contractors that built their own plant here in Calgary to make bits, but they're really Hughes bits. They're just manufactured in Canada. I don't consider that a contribution. That's not any development. That's an economic contribution to Canada because then we don't have to import them from the United States but it doesn't change anything. It's the same bit that you can buy across the line with the name Hughes on it.

#188 SB: When you first came up in the 50's, I guess it was a really competitive field and it was hard to get land.

DH: There was a lot of land but there weren't that many dollars available to spend. It was a different atmosphere then, I think there was a bit more camaraderie. We were all sort of here on the frontier together and everybody knew everybody and I could walk into the Petroleum Club, which was then. . well, the buildings have been torn down but it was on the second floor above a wholesale automobile distributor, on 5th or 4th, I've forgotten. You could walk in there and everybody knew everybody at any time of the day or night because there weren't that many of us. Today I could walk into the Petroleum Club, I hardly recognize one in five. Because time goes on and there are a lot more of us now. Sure, there was competition but. . when I arrived my job was to help Clint Mercurson develop the gas to back Trans Canada pipeline. Because he had to demonstrate that there was gas here so that he could sell it to the consumers down east. Then he had to get the permit from C. D. Howe to build the pipeline. So my job was a very small job. I didn't feel like it was much of a competitive thing. You were working hard to get the job done, that was hard enough, you didn't have to worry about anybody else. No one was going to do your job for you. Well, you know how that worked out. There was a group in Edmonton headed by a fellow named Stan Milner. . .

SB: Was it his father maybe?

DH: It was his father, yes, who wanted the same permit. What happened I think was, C. D. Howe put them both in a room and said, you guys are staying there until you reach an agreement because I'll only give one permit. And they did combine their efforts and the Trans Canada was born. And it was very successful, it is successful. But it was something we had to have.

#220 SB: When you were with Fargo, were you involved at all with the interprovincial

pipeline group?

DH: No, that group was all majors. They didn't have any need for it. I was involved with Frank McMahon and his efforts in B.C. to organize and promote and build West Coast Transmission. Fargo was drilling a lot of wells up in northeastern B.C. and we cooperated with Frank, signed contracts with him so that he could do the same thing that Mercurson and Milner had done, building Trans Canada and he did. But again, he had to demonstrate he had gas on one end of the line and customers on the other so that he could go to the bank and borrow the money and build the pipeline.

SB: Were you up in the Yukon did you mention or. . .?

DH: No. Well, I was there for the odd well here and there. We didn't find anything so we didn't spend much time there.

SB: I guess there was a small push up into the north at that time?

DH: Oh yes. The north, we got past the border and drilled a few wells along. . really not too far from the Alaska Highway because that was the only transportation around.

SB: I guess you just had the same problem getting it out if you found it?

DH: Oh sure, if you found it I don't know what you'd . . .it would probably still be sitting there today.

SB: Did you have any professional memberships or affiliations, the CSPG or. . .?

DH: I belonged to the usual things. Since I was in charge of drilling and various other activities I had to be able to certify certain things and to do that you had to belong to the various provincial engineering societies. So I am a member of strangely, the Manitoba Society of Professional Engineers and the Alberta Society of Professional Engineers. I never had any need to do it in B. C. or Saskatchewan. There were other people that could do it. Again, I'm not much of a joiner, I haven't joined many things that I didn't absolutely have to join.

SB: Do you think they serve a legitimate role?

DH: Certainly, they're needed. Without these professional societies it would be like doctors without a medical association. Anybody could hang out a shingle and say I'm a doctor and you know what that would lead to. And the same thing for engineering. As a matter of fact, the engineering have, in this province, every year have a few cases of disciplinary cases where people were holding themselves out to be engineers and practicing as engineers and they were not qualified. So from that standpoint yes, they're needed.

SB: What about the future of the industry in Canada, do you still feel there's a space for the people that are entrepreneurial and. . . ?

DH: Oh sure.

SB: Wildcatters or whatever?

DH: Today, I was talking with some friends of mine today, brokers. Today there are maybe 5-10 junior, junior companies in Calgary, that have been started by individuals and have become very successful. And they're in a smaller way but they're growing and they're doing great and they have very little debt. Some of them have no debt. They've built their cash flows, they've gone out and taken their risk and drilled wells and found oil and they're doing fine. The oil business, to me, is always like a big pyramid. There are only a handful of big companies at the top and there are hundreds of little ones at the bottom,

some of whom fail. As the size of the company gets bigger it moves up in this pyramid. As they grow bigger or they amalgamate or they disappear, anyway, they're moving. Either they disappear or they move up because in this business you cannot stand still. It's impossible. When you produce a barrel of oil, it's a barrel less you've got in the ground. Because if you just produce eventually you're going out of business. You've got to keep replacing it. So for every. . .and I've seen several ways of it right here in Canada and I've seen it in the States, companies are successful and they grow, they acquire other companies and they get bigger and they become one of the fewer in their category and the categories get smaller. Until you get to the majors and there are only five. This is a constant process, it will go on here just like everywhere else. It's going on today.

#290 SB: Do you think that's necessary to have the interplay between companies to really make the industry what it is?

DH: I think so. It's the competition. The consumer groups, like they say the oil industry is a cartel or a trust and there's no competition. I don't know about the majors, the marketing end of the thing, that's a different thing but within the exploration and production area, it is intensely competitive and everybody fights with everybody else to be the one that gets this lease and finds this pool and makes money out of it. That is the heart of the oil business. Partly that competition, largely that competition. If you eliminate that. . . that's what's wrong with Petro Can, or the whole concept of Petro Can, is that it cannot create that competition with a state oil company. When you get government running it, it's a dead end, it's useless. But it's the people who have the imagination and the will and the ability to get some money together and find something that builds all these little companies. And there are a great group of young Canadians out there who are building these companies. We don't need any more imports. Sure, you'll find a few come in for special jobs, yes we need those but in general there are enough Canadians to do whatever needs to be done in the oil industry. If the government will just leave it alone.

SB: Before we close are there any other comments you'd like to make?

DH: No, I can't think of any except that I've spent 33 years here in the oil business and you run across the occasional son of a bitch but most of the people have been wonderful people to deal with and it's been very good to me and I think at the time I came it was a grand opportunity. The nature of the opportunity has changed but there's still opportunities, lots of them. I think the Canadian oil business will be a vital and integral part of the Canadian economy, again, provided the government leaves it alone. You can't do it from Ottawa, it has to be the individuals that make the decisions and individual money. That's why I told Bill Hopper he will never be an oil man, he's a bureaucrat. It isn't his money he's spending. When I spend money in Oakwood, it's my money.

SB: I'd like to thank you for taking part, it's been interesting.

DH: Well, thank you.