

PETROLEUM INDUSTRY ORAL HISTORY PROJECT
TRANSCRIPT

INTERVIEWEE: Harley Hotchkiss

INTERVIEWER: Susan Birley

DATE: April 1984

SB: It's April 17th, 1984, this is Susan Birley interviewing Harley Hotchkiss in his office in Calgary. Mr. Hotchkiss, I wonder if you could tell us first of all, when and where you were born?

HH: Well, I was born in a little town in southern Ontario called Tilsenberg???, it's a town of about 7,000 people now. At the time that I happened along, I think it was about 3,000. I went to high school in that same town, I actually lived on a town south of Tilsenberg and went to a rural school and then went to Tilsenberg to high school.

SB: So your parents were farmers?

HH: Yes.

SB: Did you see much evidence of the oil fields in that area, the Ontario oil fields or were you quite. . . .?

HH: Not at that time, I wasn't even aware of it. I was just a kid off the farm and those kinds of things you didn't hear about or read about. In the area that I lived in there's some modest oil and gas development, primarily gas. We weren't close enough to the centre of activity in Ontario to have any awareness of it at all. I'm very aware of it now and I follow it closely and have some direct involvement in it but at that time, no.

SB: So how did you spend your summers, did you get any jobs at that time that were indirectly associated with the oil business, like when you were going to high school, say?

HH: Oh no. Living on a farm you were expected to work on the farm and you did that after school and of course, in the summers. It was a tobacco farm and there's a lot of labour involved in that so we were expected to work in that and did. There just wasn't any alternative, even if we wanted to do something else. I spent all the summers through what we call public school and through high school, working on our home farm.

#019 SB: Then when you graduated you decided to go on to post secondary right away, or what made you decide to go to university?

HH: That's kind of a long story. I went in the Merchant Marine, it was at the tail end of World War II, 1943 I think it was, when I got out of high school. It was kind of an unsettled time. I was a bit young for my age, in other words, the kids I was in high school with were a year to two years older than I was. So I went in the Merchant Marine and stayed there, sailing out of New York to various places around the world, until the war with Germany ended on May 7th, 1945. I happened to be in South America on that day and I remember it very well. Anyway I came home that summer and had planned to go to university. By that time some of the kids in high school that were more my age had

caught up. I was all set to go and ran into a couple of problems and didn't go then. I just worked around there, again on the farm. I had a brother that had a small town trucking business and worked for him and finally came to the realization, I don't know exactly how or why, that there should be something . . . you know, I didn't want to spend the rest of my life driving a truck or picking tobacco. So anyway decided to try and go back to university. I had some relatives in Michigan, an uncle that was a doctor there. He suggested that I try one of the universities there and I did. It was Michigan State University. They had a hockey program that they were just starting, so I played hockey there and got some financial help. So there was a gap there of about four years.

SB: So you decided to take geology at that time, had you had any previous interest in geology or what affected that decision?

HH: Well, I liked sort of, the concept of outdoors and there were things like forestry or geology interested me. I don't recall anything specific that said, yes, I wanted to be a geologist but I guess it was mostly the idea that you could combine some office work with the outdoor work. That was the initial thought I had when I took it up.

#042 SB: Was there any emphasis on petroleum geology at Michigan State?

HH: There was some. Michigan is an oil province, not one of the top ones but it's got a long history of oil and gas development and is still very active. So the academic program was about equally balanced between mining, what we call hard rock geology and petroleum or soft rock. In the summers, I worked for the Ontario Department of Mines for two summers in various parts of Ontario. That was entirely hard rock geology but really what we were doing was reconnaissance mapping. We were just out on field crews and usually there would be someone, a professor from the university for example, who would head up the crew and they would fill in that crew with summer students. If you were in your final year you were a bit more senior than someone in their third year. So I worked two summers there and really, at that time, was probably more oriented toward mining geology, hard rock geology than petroleum. In fact, I had pretty well made up my mind to go on, I had an offer of a teaching fellowship at the University of Michigan, it's the other big university in that state. And I had sort of, my thesis picked out and I was going to work that summer of graduation for the Ontario Department of Mines and work in an area that would let me get some information towards that thesis. That was all set but I changed my mind.

SB: What made you change your mind?

HH: I suppose it was financial more than anything else. Having been out of school for four years and going to university on somewhat limited finances, I guess I just felt that I needed to get out in the world and make some money. I was still interested in school but it was a tough grind. I guess I saw the people around me in my graduating class, looking for jobs, mostly in petroleum, so I thought I'd give it a try. Again, I don't suppose I thought it out all that carefully but I thought well, let's see what's out there and so the Department of Geology had a list of oil and gas companies that you could get, with their addresses. So I wrote two letters, one to Superior Oil Company in California and one to Shell. Don't ask me why I picked those names but I did and so I got a response right away

from Superior, actually from Canadian Superior. I had a wire from the Chief Geologist in Superior in California and I thought my roommate, I roomed with an Irish guy, Tim Monahan, who was also taking geology and I thought he was pulling my leg because he was the only guy. . . we roomed together on campus, in the dormitory and he was the only one that knew that I had written those letters. He was a real joker and I thought that son-of-a-gun, it happened too fast, I didn't think they had time to get the letter to California and the wire back. So I just played it cool and didn't pretend I even got it. Finally, toward the end of the week, he hadn't made any sign at all that he had done that, so I phoned Western Union. At that time, they phoned the wires in from Lansing to East Lansing and they said, no, it did come from California. So I got a telephone call from Art Feldmeyer???, who was the President of Canadian Superior and he said, if you're interested I'd like to come down to talk to you. He did, so he offered me a job at the end of the interview and I took a few days and thought about it, phoned him back and said, I'm coming. So I graduated from Michigan State, I think it was the 31st of March, 1951 and I came to Calgary the next day. And I've never lived anywhere else. I've spent my whole career here, working out of this city.

#082 SB: So when you started with Canadian Superior, were there many people on staff?

HH: Oh no, Canadian Superior was really small. Well, so was. . . other than perhaps Esso, who had a significant sized staff here, and perhaps some of the others, but Canadian Superior was quite small. I don't know exactly, my guess would be 20-30 people. Their head office was here in Calgary, they had an office in Edmonton, they had an office in Regina and they had a small office in Manitoba. One of their big plays at that time was the Virden, Rosely??? field, Canadian Superior had a significant position there and I think they probably still have some modest production there. I remember Art Feldmeyer, when he came down, he brought some maps and things to show me and one of the maps was the development in the Virden, Rosely field. Their other big play at that time, was right northwest of Calgary, in the Crossfield, Carstairs area. I remember the first day here, the Chief Geologist was a fellow called Bernie Jones, Australian and really a fine guy. Anyway he took me out on a trip, we were drilling a well up there called Canadian Superior-Robertson. It turned out to be sort of a modest Cardium discovery, but at that time I think there were only 2 or 3 wells drilled in that whole area and subsequent to that of course, there's the Crossfield, Carstairs, Harmattan East, Harmattan-Elkton, really major oil and gas fields, found up there. I imagine that's still the backbone of Canadian Superior's production, but at that time . . . of course, it was all new to me. I didn't really realize the significance of what I was. . . you know, I was coming out of school the sight of a big drilling rig, everything was brand new. But I often think back on that and think that we probably drove that car right over some major oil and gas fields. Another interesting thing that I did when I went to Canadian Superior, they had some maps in storage in the old Examiner Building down here and I had the job to go over and sort them out and see what was there and throw away what I thought was no good and keep others. I remember looking at those maps, of course, by this time, some of the fields had been found. There were maps done in the early 40's, before Leduc, but by the time I came

here, Leduc had been found, Redwater had been found, the ??? area had been found and they were just in the process of developing Bonnie Glen and Wizard Lake. Here were these maps, sub-surface maps over areas where, at the time no one had any idea and now of course, there were major oil fields there.

#111 SB: And they didn't show anything?

HH: No. I remember one of the first things I had to do with Canadian Superior, I had the responsibility for the Peace River district and there was really not very much up there. So you had limited well control and you mapped with what you had of course, but it would be interesting to go back and see those maps and see how much oil and gas was right under the area you mapped and had no idea it was there.

SB: So your main duties were. . . were you a well site geologist at that time?

HH: Well, like most companies, you got a variety of things to do. You know, when you come right out of school, you really don't know very much and you're not very much help but I looked at well samples and became familiar with electrical logs and radioactive logs, other logging devices. I did have to do some well site work, did some field work, mapping in the mountains in the summer of '52. We spent seven weeks out there, looking for and mapping the thickness and identifying the same rocks that we see under us here on the prairies. It was a pretty well balanced program. Canadian Superior was an excellent company to work for. They had good strong management under Art Feldmeyer and Bernie Jones and they treated their people well and they had a lot of really good geologists there. A lot of them stayed there throughout their whole career. So I did a lot of the things that a young geologist coming out of school would do with an oil and gas company.

SB: Do you remember some of the other people you were working with in the geology department?

HH: Oh sure, I remember them all. Some of them, the ones that stayed there throughout their careers, and Jack Porter is still there, he's their Chief Geologist. Keith Latch???, spent his whole career there, so did Mac Love, so did Gordon Hargraves. Others that spent some time there and then went on to other things would be Lloyd Flood, Lloyd Beavensy???, Wilf Loucks???, now with Norcen. So sure, it was small enough that, not only did you know those people, you worked with them, they were your friends and you knew them very well. The ones in Calgary, you worked side by side. George Macleod, who is now President of Samadan???, Oil Company in Ardmore, Oklahoma and has done very well. George and I are about the same age and I joined Canadian Superior in April and George came along in June and we shared an office. So those are the kind of contacts that you make that stay with you, really, all your career. It may be that you don't see them that much day to day but you certainly remember them and some of them, you do keep pretty close contact with.

#142 SB: Did you have much contact with the people in the other office, like the Drilling Department, I understand that they were sort of set up in Edmonton, separate from the Geology Department?

- HH: Well, they were and still are as a matter of fact, but also they had a Geological Department up there, Alec Beveridge???, who's still active here in the business ran that office, when I worked. Alex is a consultant now. But yes, we had contact with the other departments, drilling particularly, when we were out sitting on wells. We were right there with them and at that time, Canadian Superior, they contracted some rigs but they also had one or possibly two of their own rigs. So they were Canadian Superior employees, so yes, you had a lot of contact with the other departments. I mean, we bowled together and really you knew everyone in the company.
- SB: I was wondering, was Mary Turner still there when you came along, she was a geologist?
- HH: Maria, there was a Maria?
- SB: Mary Turner?
- HH: Mary Turner, no, Maria Spencer was a geologist who moved up from Superior in California or somewhere and she was in Calgary for awhile. She was a specialist in looking at samples and when you said that name, Maria Spencer flashed through my mind, but no, I don't remember Mary Turner.
- SB: So were there any wells that you worked on that were particularly outstanding or anything like that in Canadian Superior.
- HH: Looking back on it, those were really exciting times because there was a lot of oil and gas being found in those times. Again, it was the time the Harmattan, Elkton, Crossfield and Carstairs field. . that general time when I was a young geologist, that's when they were being developed. It was interesting, the first well I . . . you know what dry hole money is and bottom hole money, where one company gives another some support to drill a well, because Canadian Superior might have land in an area and Gulf wants to drill a well and in order to promote the drilling of that well, because it will help evaluate Canadian Superior's land, they will make some kind of a contribution, dry hole contribution or bottom hole contribution. Canadian Superior's policy at that time was to send their own geologists out on wells and they sent them out on wells that they had an interest in, whether it was through bottom hole contribution or dry hole contribution or acreage or whatever. Not just their own company interest wells. The first summer I was here was 1951 and I went out on a well that BA, which is now Gulf and City Service, which is now Occidental, it was BA-City Service, Clive and Canadian Superior had no direct interest in it but they had offsetting acreage. So I went out as Canadian Superior's representative. I wasn't the prime geologist responsible for the well, British American had a geologist there. That turned out to be the D-2 discovery well in the Clive field, which is a pretty good sized field. And at the same time. . .no, it was the next year, I went out when Canadian Superior drilled their well on their acreage and that turned out to be. . it got D-2 production but it was also a D-3 discovery for the pool. At the same time Lloyd Beavensy was sitting on the well which turned out to be the discovery well in New Norway and we shared a trailer and because I was junior, I drove back and forth. I thought the oil business was simple, every time you ran a drill stem test you flowed oil. We did at New Norway, about 8 tests or 7, I don't remember what it was, and Clive of course, was a good field and it flowed oil and I thought, gee, this is an easy business. I haven't seen it happen very much since then. But those were interesting discoveries. Another one that gain, I wasn't

directly involved, but Canadian Superior made, I think it was 1953, was the Joffre oil field in central Alberta. I remember I was looking at a well somewhere up around Bonnie Glen and came down from Bonnie Glen and I was kind of tired and I stopped in to see Mac Love on that Joffre well and he drilled through the Viking and it looked like he had some shows and they were going to test. I took a quick look at it, I should have paid more attention, I didn't, it wasn't my main responsibility, came on down to Calgary and by the time I drove to Calgary, they tested and flowed oil to the surface. So Bernie Jones, the Chief Geologist came in, what did it look like, what did it look like, I really couldn't tell him, I hadn't paid enough attention to it. But yes, those were interesting times.

#199 SB: Did you see a lot of development taking place during that period, were there other companies starting up and. . . ?

HH: Oh, a lot of them, sure. It was a time, in the early 50's, which is when I worked for Canadian Superior, but on through the 50's, it was a time when companies were really expanding. For example, when I came here, and I think this is correct, I don't believe Amoco, they called it Staniland in those days, had any production at all and look where they are now. So yes, that was very common. It was a time when new companies were moving in that had never been here before and a time when the companies that had an initial start here, like Canadian Superior, were really, really expanding and developing.

SB: So, after awhile you decided that you wanted to go on to something else, what made you decide to leave Canadian Superior?

HH: I really liked Canadian Superior, as I say, they treated us very well and the people were good and I look back on those days with some really fond memories. I guess it became apparent to me fairly early that I was more interested in the economic side of the business than I was in the pure geology side. Another factor was Canadian Superior had gone through a pretty aggressive hiring program, they had a number of geologists and very good geologists who had started in maybe, 1949 or 1950 and I came along in 1951, I was kind of the tail end of that. So I recognized that probably it was going to be difficult to move up through that group of very competent people. I don't know if I sat down and thought about that in that much depth but I was aware of it. I did my personal banking with the Bank of Commerce, they happened to have a branch in the small town in Ontario that I grew up near and so it was a bank I knew and when I came here I just sort of automatically went to them. In the summer of '53, they had an oil department that was just in its infancy. They'd had a geologist there who had left and they were looking for another one and the Bank Manager asked me if I would be interested in talking to them about it. I said I would and I did and they offered me the job and I thought about it pretty hard and took it. I probably didn't have the kind of experience or the amount of experience necessary to do that job but it worked out fine. I left Canadian Superior with a lot of regret and again, I look back on those years, I'm pretty grateful for the opportunity they gave me because I think I got a good solid foundation there. But anyway, I went to work for the Bank of Commerce in their oil and gas department in 1953 and I stayed there for, I think it was roughly 6 years.

#238 SB: Had you had any business background or did you go through any special training when you started with them?

HH: No. Again, I probably was over matched in that job but. . . There were two main elements of the job. One was to . . . the bank, not only that bank but they were one of the leaders, banks, generally, particularly the Royal and the Commerce, recognized the opportunity and they were getting into oil and gas production loan financing. So one of the jobs was to sort of evaluate the assets that a company had that was seeking a loan, the pay thicknesses and all that kind of thing. The end result being that you had to come up with some assessment of future income and reserves and so on. Sometimes, in fact most times, there was an outside consultants report and you were, in a sense, more monitoring that than you were doing it originally. Although occasionally you did it yourself. So that was one aspect of it. The other was, it was at the time where there were a lot of new companies coming in, there was a lot of new business to be had and so there was an element of what I would call, business development there. I, together with some of the regular bankers, made a number of trips to places like Dallas, Houston, Oklahoma City, Tulsa. We would go down there 2 or 3 times a year, partly to keep contract with what we called correspondent banks, banks that we had some kind of a working relationship with, to learn about their lending practices. But the most important aspect of that was to keep your antenna up for what new companies were coming and see if you could talk to them. And if you got their banking business, that's what you were down there for. There was some very major business there because some of those companies were substantial companies that hadn't started in Canada and so it was important if you made that first contact and they liked the way you handled yourself and did your business, that was something that was very important for the future years.

SB: Would that be a process of syndication, is that what you would call it, when you worked with another bank?

HH: No, it wasn't syndication because at that time there was now cooperation or no getting together on the loans. It was merely that, they call it correspondent relationships, where the Bank of Commerce for example, would carry some significant monetary deposits, let's say, with the . . . it doesn't matter, the 1st National Bank in Dallas and vice versa. So when we went down to Dallas, the 1st National Bank would do what they reasonably could to influence their customers to come, if they came to Canada, to deal with the Bank of Commerce. The Royal Bank would have a correspondent relationship with maybe another bank and sometimes there was an overlap and it was just a question of who got there first and who put their best foot forward. There was a fair amount of competition I guess. I didn't have a lead role to play in that but having a technical background and knowing something of the lending practices and knowing something about what was going on here in exploration, people were very interested in that. So it probably was of some value.

#283 SB: How long had the Oil and Gas Department been established in Calgary?

HH: Not very long. I think it was established in. . . I'm guessing a little bit here, I did know the history of it, but probably in 1952 and I went there in '53. I think it was really. . . certainly

it was really in its infancy. They set up a department here, other banks did the same. It was sort of a place that people could come, they kept records and had maps of well locations and so on. It was a place that somebody brand new could come in and get an overview of what was going on. Not the kind of detail that they would need to make their final decision but there were people there in the bank that they could talk to about business conditions. They could talk to me about what was going on in the exploration play, they could look at some maps and so on. So it was a good convenient place to get a quick overview of the activities. In making their decision they had to go further and talk to lawyers and accountants and all those things.

SB: Did you handle any type of investments or did you encourage investments in any of the companies that you were financing or would that be your job?

HH: No, no. Actually we stayed away from that, in the sense that if we had some knowledge of a company's business and they were a public company we just wouldn't feel right about investing in their stock because we might have had some inside information. Generally we didn't. But no, I was more involved in what I called direct production loan financing. No, there really wasn't any element of investment in the sense that you put it.

SB: So, what were the stages that a company would go through in order to secure a loan from you?

HH: Well, the banks here operate on the branch system and even though we had an Oil and Gas Department, the department served more as an advisory facility to the branches and they encouraged that the customer. . . let's say he dealt down at 628 - 8th Ave. branch, that he go through that branch manager. It maintained sort of, the position of that manager and the control. So he would talk to his customer and send in an application. Sometimes he would bring the customer in and we would talk and that customer would say, I need x dollars to do certain things and then we would put together the information on his production, oil or gas production and as I say, generally had an outside consultants report. We would incorporate that in our own system and come out with a loan value and if it was in line with what had been requested, then we would write a supporting report and it would go through the system and come back approved and the man could draw his money down. And then, having drawn it down, he had to pay it back out of production proceeds and we would monitor that. He had to send in payments on his loan of course, but supporting that, what his production was and his sales and so on.

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Tape 1 Side 2

#019 SB: Was there any maximum lending amount that you were limited to?

HH: Again, I was more in an advisory capacity so I didn't have specific lending limits, no there wasn't any limits. But in the banking system that manager would have limits, if it got beyond his limits he would have to come to what we call the regional office here in Calgary, which was the office for all of Alberta and the Northwest Territories, still is. That office would have certain limits, if the request got beyond them, it had to go to the head office and the application and all the supporting data would have to go to Toronto and then the approval would have to come from there. So there was a series of limits and they've changed over time, I'm sure.

SB: What was the percentage or the interest that you were charging at that time, on loans?

HH: It was low for sure. I can't remember but it would be probably 5%, plus or minus. For a long, long while, banks were limited to 6%, it was only, what was it 10-15 years ago, time goes by. But during all my time there, there was a maximum of 6% and as I recall, generally oil and gas production loans were somewhere around 5. It was usually the prime rate, plus a quarter or plus a half and how much above the prime or if it was above the prime at all, would depend on the quality of the loan and the quality of the customer. Bigger customers with less risk get preferred rates.

SB: Was financing oil and gas ventures any different from any other business ventures?

HH: I don't have the familiarity with the other business ventures. There were some essential differences. Of course, your collateral was your oil and gas assets in the ground so one essential feature of it that was different was that you had to have an appraisal that was a realistic appraisal of what those reserves were and what time frame they could be produced in, what the operating costs were. Other than that, once you had done that, I don't think it was any different. The bank took security, direct security against those assets. In some cases they would just take an undertaking to give the security which simply means that the party making the loan would agree not to otherwise encumber the properties and if and when the bank asked for it, you had to give it to them. Usually though, they went ahead and took their security. And they still operate that way.

#044 SB: Were there any maximum periods in which they had to pay the loan back or minimum periods?

HH: Yes. The banks at that time, and again, I'm searching my memory here, didn't like. . . generally they were three, four years, occasionally they would go to five years. With time and more experience to draw on, you're just more confident of your reserves, and the whole banking system has changed. The trend has been to go longer term, now I think it's very common to go 5, 6, 7, perhaps even beyond that. But at that time, they were generally five years or less. I suppose in very top quality customer, particularly ones where they had strong balance sheets, they probably would go beyond that. Quite often what would happen is they would borrow and pay off for a couple of years and then

there's be a reassessment of the same assets and they would just borrow again, so it was kind of an ongoing thing. But just to narrow it down to a specific loan, generally it was five years of less.

SB: Were you every involved in any project loans or were they doing that very much?

HH: They really weren't doing that much. Money was borrowed for projects, but as I recall, there wasn't very much lending, if any, where they isolated a project and just borrowed with that project being dealt with in isolation and the collateral for the loan being that asset. That's become very common now, I understand, but at that time, it wasn't very common.

SB: Do you every remember any exceptions that you made to the policy that they had to have established production or established reserves or anything like that?

HH: Oh sure, there were exceptions because it was early in the business. A lot of people, as I say, were just getting going and as always, when you lend money, a critical element is the quality and the character of the people and the exceptions would be the people who had demonstrated a good track record and were people that were working hard and were capable in their business. I think banks did then and would still today, maybe stretch a point and go beyond just what the hard numbers would show. It's pretty important in banking. It's also important of course, to have the assets and so on, but I think places where banks get in trouble and any businesses dealing with people that maybe . . .how can I worked this. . .well, I think it's important that they deal with people that know their business and if they make a loan, intend to pay it back, if they've got a problem, they'll roll up their sleeves and solve the problem, they won't walk away from it.

#072 SB: Do you remember any of the companies that. . .or were there any companies that you helped start out at that time?

HH: Oh I remember lots of companies that were customers of the Bank of Commerce and we helped, but I don't think there are any I could lay claim to having made any special help to get them started. I could name a lot of names but perhaps I shouldn't do that.

SB: I understand that during the early 50's there was a bit of trouble experienced by some companies, getting financing, or at least they said that it had to go to American finance companies more often than Canadian. Did you ever experience that or did you feel that was a problem?

HH: I didn't feel it was a problem. Of course, I was looking at it in those days from the banks side and perhaps somebody on the other side of the fence may well have thought it was a problem. I thought that, speaking generally, the banks did a pretty good job in those days. They were anxious to get the business, they were anxious to build it. They weren't very sophisticated but it wasn't surprising that they weren't. All the banks, not just in Canada but everywhere, have become much more sophisticated and the business has become more complex. I think that criticism, probably would relate more to getting equity financing, say out of the main financial centre, Toronto and to a lesser extent Montreal than it would be a criticism of the bank and their specific lending practices. I think it's true and I wasn't involved in it at that stage, so I don't have any first hand knowledge, but I think it's true that the investment community, out of Toronto particularly, just weren't

very attracted to the oil business and a lot of companies did have to or at least did seek outside equity financing, from the U.S. particularly. I think that's probably a fair criticism but. . . and maybe as time went on the banks may have been subject to some criticism for not adjusting as companies grew and so on. In those years I thought the banks were doing a reasonably good job in the arena that they were playing in. They were not in the business of equity financing and I think the criticism probably is more properly directed at that area.

SB: And they probably felt that it was a high risk business, would that have been one of the factors?

HH: I don't know all the reason. I think they felt it was a high risk business, they didn't know much about it, they were more oriented toward mining. Probably they just misjudged the impact of it. Probably just didn't zero in on what kind of an opportunity was developing here in the 50's and 60's.

#104 SB: What kind of. . . did you benefit, do you feel from that experience, or did you come away with any special knowledge about how to succeed in the oil and gas business?

HH: I surely did benefit from it. First of all I met a lot of people and I can't point my finger at how that's helped me in any particular instance but overall it did help because I made a lot of contacts in banks and in business, not just in Calgary but in other places, like Dallas, Houston and so on and some of those I still have. Perhaps more specifically it helped me get a. . . sort of crystallize a leaning that I already had toward the economic side of the business. That's what I dealt with mostly in the bank, I saw how people ran their businesses, how they approached a bank. I saw who put together a good proposal with the proper documentation and I saw who didn't do that and I saw how to go about it. And I suppose to a lesser extent I had some insight into why companies. . . you know, different ways they approach the business and why some succeeded perhaps, more than others. All of those things were very helpful and probably they established a foundation for me, when I went back into the oil business, as I did in 1959, established a level of experience and a basis there that's continued to help me.

SB: So in 1959 you decided to change occupations again?

HH: Again, as in Canadian Superior, I liked the bank a lot, but I had a fundamental decision to make. If I was going to stay close to my technical background in the oil and gas business it meant that I was pretty much restricted to the oil and gas department and I'd moved up. When I left I had the title of Assistant Manager and I could see that I could probably quite easily be the Manager and run that department and that was fine. It was a good job but you were limited, you weren't going to be able to move on up the ladder unless you sort of shifted gears and went over more into the banking side. If you did that, that meant that you were out there competing with people who had been bankers all their career. So, you had again, that element of heavy competition. But the thing that stalled me there was really moving away from something that I liked a lot, I liked the energy business and I didn't want to put it over on the side and become just a banker, I might end up in Toronto somewhere and have a very limited exposure. And also I guess I saw. . . with that sort of

sense of the economics out here, I saw opportunities coming up in the oil business, so yes I left for those reasons in 1959. I had known the Seaman Brothers, Doc and B. J. and Don, they were customers of the Bank of Commerce at that time, knew them and liked them a lot. They started from a very modest beginning, just with their own initiative, they were all engineers from the University of Saskatchewan and they had a small contract drilling company. They actually started out with shot hole rigs and seismic crews and then, in the mid 50's started into contract drilling with shallow rigs in Saskatchewan. They were pretty enterprising people and they saw opportunities too, they developed a very small amount of production, sort of as an adjunct to their drilling activities. They'd take a small piece of the deal, perhaps in order to get the contract. I knew them well and they were anxious to expand and they'd reached the stage where they wanted somebody with some business experience and some technical background and so, when I left the bank I went with them. We set up a small company called Alcon Petroleums, it was named after Alberta, Connecticut, Alberta was my side, Connecticut was Harry Van Rentzler???, who's in the oil business here today but at that time, he was in Wall Street and I'd met him when I was with the bank and we became friends. So anyway, Harry was very interested in Canada, he liked the outdoor life here and he came here on his vacations. He had some wealthy friends who wanted to spend some money and we put the whole thing together, we set up Alcon, Bow Valley put their production that they had into Alcon and Harry Van Rentzler's friends and business associates dedicated a certain amount of money to the venture on an ongoing basis. It was pretty small. Our expenditures the first six months, and this will make you laugh, I think they were \$50,000 or something and the next year were \$200,000. Shoot, that wouldn't even pay your overhead now, on most deals. I left the bank in '59 and started Alcon. We had a little office down here, a 3rd floor walk-up above the Rio Building, myself and a secretary and away we went. We put together deals and drilled wells and spent money that came from Bow Valley's drilling side, spent our own modest cash flow and spent money from the investors that were friends of Harry Van Rentzler's out of New York.

#166 SB: The American investors, was that taking advantage of the U.S. tax. . . ?

HH: Yes. At that time Canadians, anybody, even myself, I couldn't invest in the . . . well, I could invest in the oil and gas business, it was kind of economic suicide because you couldn't charge off the cost of drilling a dry hole against any other income. Unless you had oil and gas income, that was just a capital loss, whereas an American could charge that off his total income, world wide income. I regret that Canada didn't have more far sighted incentives, tax policies and so on, because I think it would have developed a much higher degree of Canadian ownership than we now have. But here I was working in the business that was my life's work and I couldn't even make the kind of investments that the people I was spending the money for could. And I blame our federal government particularly for not realizing that, I guess they were afraid somebody was going to make money perhaps, but if you make money then you pay taxes on it. It's like a garden, if you don't plant any seed, nothing grows. Anyway, that's what we did in Alcon. Operated primarily in Alberta, some in Saskatchewan. Basically it was a small oil and gas

exploration company. I owned a small interest in it, which was my main incentive to do that.

SB: What would have been the percentages of interest, say yourself and the Seaman Brothers?

HH: Well, the Seaman Brothers, through what was at that time, Seaman Engineering and Drilling, they later took over Hightower Drilling and changed the name to Hightower and then later on still, as they grew and expanded into other businesses, changed the name to Bow Valley Industries, they had and I'm a little fuzzy on this, I think I had 10%, Harry van Rentzler had a small interest, some of the New York investors took a small interest. But Seaman Engineering and Drilling, I think, had something in the order of 60-70%, so they controlled it. It really wasn't planned that way, initially the American investors were going to put in more money and take more equity. It just happened that one of those times it happened when the market was down and you know, the oil business here wasn't all the buoyant, there was a surplus of oil, our markets for oil were restricted down to about 30-40% of capacity, so they kind of backed away a little bit and so it ended up that the Seaman Engineering and Drilling side subsequently, Hightower, Bow Valley, ended up continuing to control it. Nothing wrong with that, it worked out well, but that wasn't quite the original intent.

#201 SB: Did you offer public shares?

HH: No, we did not. The parent company, Bow Valley, of course, did. They were private at the time I joined but they went public, I think at the time, Hightower was public, so when they took over Hightower that made them public too. But in Alcon itself, no we did not.

SB: I was wondering if you could sort of summarize the period of the 50's in Alberta oil. You came in right at the beginning and then by 1959 you were starting your own company so you must have had optimism for the growth of the industry did you?

HH: I did. When you're at that age and you're sort of living day to day, you don't have any extra money, raising a family and trying to pay a mortgage on a house, I don't know if you mind very often goes to that big picture. Sure, you see the opportunities and you know it's risky but you're prepared to take the risk. You know, I went from the bank of Commerce, probably one of the most secure jobs in the country, liked them and I think they liked me. I could see a very solid future, working for a bank was a pretty darn secure job and I jumped out of that into probably one of the most insecure because we were just starting a new company. I was pretty green about it, we had very limited assets, no long term commitment from the American investors, that was sort of a year to year thing, it obviously depended on how well we did. If we didn't do well, we weren't going to get any more money. The other side of it was the Seaman Engineering Drilling side, I mean they were very much subject to the ups and downs of the drilling business. I guess I had enough confidence in myself to take the risk. I had a lot of confidence in my associates, particularly the Seaman Brothers and in Harry Van Rentzler down in New York, he was an energetic guy, very solid good friend. So there it all was. But I don't really think. . . I knew there was opportunity and I was fairly confident I could take advantage of some of that. I don't think I set any huge goals, it was more of a day to day scramble. I worked very hard there. I did everything. You take out well licenses, you go out and help do the

geology and put the plays together. I made the land deals and wrote the agreements and did all those things. I think, looking back on that, that was another time of good experience because now I can read an agreement and sure, they become more complex but I know what to look for. In those days I didn't so I read every darn paragraph. I think I developed right at the grassroots level, a good basic grounding of how things get done. And the answer, in my view, to that, is just get off your behind and go do it. You can do just about everything you want to do if you set your mind to it and work hard at it. And there's always people around. . and this was important, people around that if you don't know, you can pick up the phone. And I still do that today and people do it to me. You know, say, hey I've got a problem and what would you do. Most people will say, well, here's what I'd do, I've done it before, don't do this, do it this way.

#248 SB: Is that unique, do you think, to the oil and gas industry, that special kind of cooperation between everybody?

HH: I'm not sure it's unique but it may well be. The energy business is an exciting business, there's a lot of risk, but the people involved in it here, particularly at the stage that we were going through then and to some extent still are, it was sort of a pioneering business and there was an attitude of, get things done, don't get all hung up on how not to do it, find ways to do it. Most people had that attitude. So if you had a problem there were a lot of people around to give you a hand and everybody was looking for the same thing and that was to make things happen, to get things done.

SB: And you didn't have to. . since you couldn't afford to hire specialists, I suppose, in specific fields, you kind of all cooperate that way.

HH: Yes, from time to time we hired consultants to do evaluations, Rod McDaniel for example started in 1955 I believe, in the consulting business. So you went to people like that with specialized requirements. You, of course, had lawyers and accountants to do the specialized work required there but not anywhere near to the degree that it's required today. Shoot, I can remember lots of times, phone up somebody and want a piece of their land and if I got any encouragement I'd sit down and I could almost dictate it. I guess I probably still could, just dictate a letter off, what we were prepared to do, how deep to drill the well, what we'd expect to earn and all those kinds of things and that's the basis we went on.

SB: Did you do much wildcat exploration or was it mostly just working with proven areas?

HH: No, did both. We tried to stay away because we simply didn't have pocket books that would stand it, we'd stay away from the foothills or the Northwest Territories, things like that. We tried to stay in areas where the drilling depths, the drilling risks, the geological risks, all those things, were within our capacity to handle. We didn't get our neck strung out, or tried not to at least, in areas that were beyond our financial ability to be there.

SB: So what were some of the early fields or wells that you worked with for Alcon?

HH: They were pretty well scattered. We drilled, together with a couple of other companies, an interesting well up here in Crossfield. It turned out to be one of our best wells. The field had been discovered but it hadn't been recognized as to the scope and area extent, the magnitude of it and we drilled a well there in 1961, perhaps '60, on the east side of it that

turned out to be an extension to what is not the Crossfield, Turner Valley unit and that was a substantial well for us. Drilled some interesting discoveries in Saskatchewan, nothing huge, we can't lay any credit to any big find, like Pembina and so on. But did quite a bit of close in and also some exploratory work and had production, as I say, in Crossfield, some of the Pembina areas. Just trying to think of the ones we were involved in. A number in southeast Saskatchewan, Steelman, Midale, Hastings and so on.

#303 SB: Were you bidding on Crown reserves as well?

HH: Some. That was not the main way for us to go but we would do it, where we were drilling a well and there was Crown land that the well would help devalue???, we'd post it and bid on it. We did, as the Rainbow, Zama trend developed, in the mid 60's, we became involved in that, in both areas. And developed some production in Zama and some modest production in Rainbow.

SB: Did you have any gas production?

HH: Yes, did have. It was . . . I can't recall the percentage, I guess we were probably a little more oriented toward oil but it probably was 30-40% gas. At that time, gas was . . . we're talking 10 cent gas and in British Columbia, 5 cent gas, so gas, because of the price and because of the lack of markets, generally it wasn't as attractive to look for as oil.

SB: So how long did you carry on with Alcon then?

HH: I was with Alcon from when we started Alcon in 1959 until 1967. We had grown from, for staff, just myself and a secretary to I guess about 15 people and we were handling an annual program of about, as I recall, about \$5 million. In other words, of new funds going in each year. We had hired more geologists, engineers, accounting people.

SB: Who were some of the geologists and engineers that you had?

HH: Lloyd Beavensy, who was a friend of mine from Canadian Superior, was there, later on Jack Jubenvil???, who's now Vice-President of Exploration for Abberford???. I hired Jack, Jack worked there. Roy Fisher came to head up the engineering. Roy is President of Ocelot now. Those are some key names that I recall.

End of tape.

Tape 2 Side 1

- SB: Mr. Hotchkiss, I wonder if today we could just review a few things from the last interview. I was just wondering, with Michigan State, what city it's in?
- HH: It's in East Lansing, Michigan. Lansing is the state capital and it's right in the centre of the state and East Lansing is almost a suburb of Lansing, it's essentially a university town. There's more people at the university than there are in the town of East Lansing. That's where it is.
- SB: Did you ever come across anybody, in your early years, when you were going to university, that you met later on in the petroleum industry, were there any other people that carried over?
- HH: No. There's a few people from Michigan State, one or two that went when I did, that are here in the oil business. There are some that went to Michigan State and took geology that have come along later. No, not really, I still. . . my summer work was, as I think I mentioned, was in hard rock geology and I occasionally see some of the people I worked with there, but not in petroleum.
- SB: I was also wondering, with Canadian Superior, if you felt . . .they had a very large spread of freehold acreage, was that a policy that was followed by any particular person or do you know where that policy began?
- HH: I don't really, I think it came from the parent company, Superior of California. Why they had that policy, I don't know. It was a very good one, I mean it really paid off for them. The acquisition of a good part of that land was before my time, it was in the late 40's, say '48-'51, when I came here. So a lot of that land was in place. But Canadian Superior, I think had a corporate policy, probably flowing from the parent company, that land, particularly freehold land spread was a very valuable asset. But beyond that I can't really give you any names of people responsible. I guess Art Feldmeyer was here and his predecessor, Nick Nicholls, who subsequently went to Great Plains, were both factors in that land acquisition.
- SB: Did you ever see much of the Keck's???, did they come up to the Canadian operation very often?
- HH: When I first went there in '51, Bill Keck, he died just a couple of years ago, Bill Keck Jr. was the main one of the Keck's involved. They came up frequently, I was in the back room doing geology and we would get a chance to shake their hand but essentially they came up and spent their time with the senior people, Art Feldmeyer and Barney Barnett in Edmonton, who headed up drilling and production. During the time I was there, there was a change for some reason and Howard Keck, who has been the main factor since that time, replaced Bill, in the sense at least, he was the one that came up to Canada and seemed to be carrying the ball more than his brother. And the same way, we would get a chance to meet Howard Keck when he came up and say hello to him but that was about the size of it.

#035 SB: Did you see Art Feldmeyer as playing a major role in helping to develop the

company?

HH: Oh for sure. Art Feldmeyer was a very capable manager. He was a very quiet, unassuming man and didn't get heavily involved in the . . . he lived a relatively simple life with his family and his interests were pretty basic, but he's a first class man and Art Feldmeyer was really a first class oil and gas explorationist. So yes, I think more than any other single person that Art Feldmeyer would get the credit. He was here and President of Canadian Superior at the time I was hired and carried on until what, 5 or 6 years ago. So he had a long spread and the company really grew under his leadership.

SB: Then I was wondering, with the Bank of Commerce, who was the geologist that you replaced?

HH: It was a fellow called Joe Streeter was the. . . I think the Bank of Commerce were the first ones in Canada to have a technical or a professional person on their staff. It was a fellow called Joe Streeter, who was there for about a year I think, in 1952. He left before I came along, he left in early '53 and I went to the bank in June '53.

SB: I was wondering, who was the person who hired you or who was your superior at that time?

HH: That title was Regional Superintendent at that time and it was a man called Keith Smith, K. B. Smith. He's retired from the bank now, he went from Calgary back to Toronto and moved on up and ended up as a fairly senior position with the bank. Cec Munroe was the Manager of the Oil and Gas Department. He was a career banker, he's from Manitoba and had worked through the prairie branches. I forget exactly where Cec was before he was moved here to head up that department. But he was there, he came along just a short time before I did. So I guess I worked directly for him for all that time I was with the bank. But the top person here was Keith Smith and then he was replaced by Basil Lanfeldt??? and there have been others since that time.

SB: I was wondering also, did you finance any service companies, or drilling contractors or was it mostly just oil companies?

HH: Oh no, they would finance right across the board. A lot of drilling contractors dealt with the Bank of Commerce at that time, including some of the very, very big ones. They would finance in a somewhat different way and I didn't have much of an involvement with that. They would finance more in a conventional way, I guess they would take security on the rigs and on their accounts receivable and things like that, as opposed to taking security on oil and gas assets that had to be evaluated. Sure, there's a difference in rigs. . . I guess the problem of determining what your security is with a rig is perhaps easier than it is with a barrel of oil somewhere down there in the ground.

SB: And the service companies I guess would have been the same way?

HH: Would have been the same, sure. At that time, I should say, the service business was probably more concentrated in the larger companies than it may be now. Since that time there's been more Canadian companies start, the business has spread out more and I suspect there's more bank financing and bank relationships with a larger number of companies now than there was then. There's still the big companies of course, like Dow and Halliburton and Slumberjay??? and so on, but I'm simply saying that at that time, they had by far the majority of the business, I think that's more diversified today.

- #077 SB: In 1959, you mentioned that there was sort of a downturn in the industry. From your experience in the banking end of it, did you see why this might have come about?
- HH: It's primarily markets I think. As I recall it was a little earlier than '59 when that hit. We were down I think, to 30-40% of our productive capacity here. I think that was the main reason, the cash flows were just cut back and there wasn't much of a gas market. The price of gas, it was almost a distressed product, gas was 8 or 9 or 10 cents or less than that in British Columbia. So it was a combination of those factors I think. Primarily oil markets.
- SB: I was wondering, you started with Alcon in '59 and you were with them until 1967. That was a period of great change, in some ways, in the industry. In 1960 you had the formation of OPEC and also in Alberta the formation of IPAC. Could you first of all explain your involvement with IPAC and how you saw it coming about, how you saw the formation of it coming about?
- HH: I think IPAC was probably formed in response to the lack of markets, particularly oil markets. The people that founded it, I was not one, but I was here and active at the time, were trying to get a stronger voice for the so-called independents, the ones who were, even at that time, a pretty critical factor in drilling a lot of wells here. The business of course, then, was dominated by the majors. It's less so now but they're still a big factor. So I really think the main reason to have an IPAC was to have a voice to speak for the independent companies who were playing a key role in oil and gas exploration in Canada. The particular focus was probably markets, oil markets. My involvement was. . . I was. . . we had just started Alcon in '59, Alcon wasn't a very big company. I went on the Board of IPAC in 1962 and served a four year term from '62-'66. So I had some involvement then. IPAC was different, it was smaller, a much smaller organization. The one thing IPAC has always had and it's still maintained to a large degree, it's had a heavy involvement of the people who are actually making the decisions. I don't want to draw any comparison to CPA because it wouldn't be fair, but I think IPAC has always had that involvement by its Board of Directors. Their people, generally speaking, who have served there, are also the ones that are out there making the decisions for their own independent companies. More that way than the professional management side.
- SB: So they were sort of closer to the direct impact that any decisions that the government made would have on the industry than a purely professional. . . .
- HH: In a sense they were and they were also the ones that were right there where the rubber meets the road in their day to day activities. Perhaps more than being part of a large organization and perhaps even, in some cases, answering to a head office somewhere in eastern Canada or in many cases the United States. That's still a characteristic of IPAC. Less so, because again, the business has grown and a lot of the members of IPAC now, they're as big as some of the majors were back in the early 1960's. It's been one of IPAC's great strengths I think.
- #122 SB: And at that time they were concerned or they voiced their concerns to Ottawa about the need for exports. I guess that was a fairly strong opinion that most

independents had, that exports were needed.

HH: Need for market export and also a larger share of the domestic market. Because what was happening was that imported crude was backing out, moving right up, had most of the Ontario market. It was as a result of all that, that the so-called Ottawa Valley line was set, where in effect, western Canada crude was able to market its oil as far as the Ottawa Valley. And I think in fairness the people in Ontario paid some small premium for that, they don't let us forget about it now. But I think it was a good decision and it was helpful, particularly to the independents.

SB: And at that time, they felt there enough reserves in Alberta to guarantee Canadian self-sufficiency for quite a few years.

HH: Yes, the estimate of reserves has gone up and down, over the years, depending on who's doing it and what kind of interpretation you put on it. Sometimes people who are not well informed in the oil business tend to group proven and probably and possible all into one pot and think it's all there and it just isn't the way it works. But yes, I think the feeling was there and I think the feeling always was and is today that with the Tarsands and heavy oils that there's a very substantial reserve there. It becomes a matter of economics of course.

SB: How did the Calgary oil community receive the National Oil Policy when it came out, that was 1961, can you remember your reaction to it?

HH: Not clearly I can't. Was that the policy that established the Ottawa Valley line, I think it was. I think the independents were generally pleased with it. That was the Diefenbaker government as I recall. I think the feeling was that that government was perhaps more sensitive to, and responsive to concerns of the industry and perhaps particularly the Canadian independents. No distinction was really made between Canadian and non-Canadian but just to the independents generally. As I recall it our feeling was that that government listened and were quite responsive and I think over-all, we were quite pleased with the stands and the positions they took in that policy.

SB: I guess that in a way, was a result of IPAC forming a committee to go to Ottawa, do you think?

HH: Oh, it was a factor sure. IPAC, I think, has always been listened to because I think that government sense who they are and know that they speak for that group of companies who are doing a lot of the oil and gas exploration work and probably, have more Canadian content and that's always something that governments are responsive to, it's politically sensitive .

#163: SB: How about in 1962, the Alberta royalties increased from 8% to 16.6%. How did the companies take that?

HH: I can't remember. Any time you raise royalties I guess, there's a human reaction to think it's too much. I don't recall there was a great furor about it. That was the maximum royalty as I recall, we had a sliding scale up to that maximum and I just don't clearly recall any great animosity about it but I'm sure there was some at the time.

SB: Were you at all involved in the Rainbow Lake discovery with Alcon?

HH: No. I remember it very well and we had some land up there, more in Zama than in

Rainbow, Zama came a bit later. And did develop some modest production up there but no, that was Banff Oil, under John Rudolph were the ones that found Rainbow.

SB: Did it change the focus for exploration activity?

HH: Yes, it sure did. The other one that changed the focus even earlier than Rainbow, was the Swan Hills discoveries, back in the 50's. The ones that Home Oil pioneered and made. That changed the focus because until that time there had been very little, if any, production from that particular geologic section. People's minds just weren't working that way. Once they found those, what really were very large fields, then there was a lot of intensive exploration for those kinds of fields. And Rainbow changed it again, because it again, opened sort of a whole new play.

SB: With Alcon, when you left it in '67, had its holding grown that much from 1959 when it was formed?

HH: Oh yes, it had. I can't remember the numbers but we'd grown from two people, myself and a secretary to, I think there were about 15 people when I left. Now, the number of people doesn't measure but you don't hire people unless you can afford to pay them. We were running a program, as I recall, of about \$5 million a year expenditure. That's not much in today's dollars, but it was pretty significant then for the size and nature of our organization. We'd developed some reasonably good oil and gas reserves, primarily in Alberta but some in Saskatchewan, some in British Columbia. I can't remember the numbers as to what our reserves and cash flows were but they were significant and yes, it had grown.

SB: Was the 60's a distinct period, did it have any different characteristics of the industry compared to the 50's or can you remember any changes that really influenced anything, everything?

HH: No, I don't think so. There was probably, we touched on this earlier, more of a focus on markets for Canadian crude and markets were developed. The other significant things were the new exploration areas, like Swan Hills, like Rainbow that opened up. So the play broadened and there were continually more players in the game, gradually more companies involved. But other than that, no, I don't recall anything.

SB: Did you notice the federal government taking a different attitude towards the companies in the 60's or towards the oil industry in general?

HH: That's had its ups and downs of course. I don't want to get on the political side of it very far here, but I think generally speaking, the Conservative government under Diefenbaker was, perhaps more responsive. They seemed to want to know more and listen more and try and do more than the Liberal governments, who perhaps had been more, at least it seems to me, been more focussed on the consumers in eastern Canada, where most of the votes are. Sorry, I lost my train of thought there, you'd asked me.

SB: Just about the 60's, it seems like it was a fairly quiet period.

HH: Compared to the turmoil of the 70's, it sure was. I don't recall any great difference between the 50's and 60's, except, again, perhaps more government awareness, chipping away at more favourable incentives and perhaps simplifying and more attractive tax regimes. It was really unattractive for Canadian investors, as we talked earlier, in the last conversation. I think there was a sort of wearing away at those kinds of things and

gradually more recognition that they were not only necessary to have an effective and dynamic Canadian segment of the industry but probably were good for Canada overall because if you don't generate Canadian ownership, then you haven't got any revenue base down the road for taxation. In other words, you have to encourage people to go out and take risks to build and develop things and you get your reward, speaking as a tax collector, down the road from that. We never gave Canadians a chance until much later in the game. So during all the period of time, again primarily, through IPAC, there were continuing representation and pushing, look, wake up, let's get some of these things in place.

#242 SB: Then you, in 1967, what happened to Alcon, did it eventually get absorbed by Bow Valley?

HH: Well, it was controlled by Bow Valley, I forget the exact ownership but it was in the 70-75% range that Bow Valley had, blowing back from the original Seaman Engineering and Drilling, through Hightower into Bow Valley. When I left Bow Valley, left Alcon, in 1967, they bought back my minority interest in Alcon and they did the same for the other minority shareholders. They wanted to pull back the minority interests and have their exploration subsidiary, Alcon, as a wholly owned subsidiary as they did with their other ventures. It made all kinds of sense for them, it was not something I wanted to do. I was looking to have a bigger interest in something small, rather than a small interest in something big. It was a very friendly termination if you like, and I think very highly of the Seaman Brothers and their organization. But that was the reason for it, and Alcon, the name was changed to Bow Valley Exploration and I believe it's still Bow Valley Exploration, just a difference in share ownership.

SB: So what. . .did you have any definite plans when you left Bow Valley?

HH: I had some. I guess my thoughts were that I had made a small nest egg and I was going to use that to go into the oil business directly on my own. I hadn't crystallized exactly how but that was the direction my thoughts were going. I ran into a fellow called Carlo Von Moffee???, I don't know if you know that name or not but it's an interesting story. I had met his father, who was from Munich in West Germany and had come out to Canada in the mid 50's, '57 I think, just on a visit. I guess because of some corresponding banking relationship, he came to the Bank of Commerce Oil Department. I remember him very well, I took him out to a rig. We were drilling a hole up here at Acme, Canadian Superior Jackson. It was a dry hole but it was a deep test and a big rig on it and I took him up to see it. Then gosh, 8 years later, it was about the mid 60's, when I was with Alcon, his son came to Canada. I guess he felt that Canada was a land of opportunity and he came to the Toronto are first and again, because of the banking relationship, the sone Carlo spent a good deal of time, a year, year and a half, working for the Bank of Commerce, just to get some feel for the country. And he worked in various parts of the bank, I mean he worked in Toronto and he would go to some other area and he came to Calgary. Again, because of my connection with the bank, they asked me if I would visit with him and answer his questions about the oil business. And I did. And got to know him fairly well, so when I was thinking of leaving Alcon, he heard about it, I've forgotten how and came to see me

and said, listen, I want to put some capital in the oil business and let's make a deal. So we did. It took some time, we had to do some negotiating and hammer a few things out but we made a deal and the net affect of all that was, we set up a brand new company called Sabre Petroleum, there were two shareholders, myself and Carlo Von Moffee. His role was mainly a capital source. I put some capital in too, all I had. Anyway that's how we got Sabre started. He didn't involve himself very much at all, in the day to day operations, that was my responsibility. We had an office over here in the Crown Trust building, just diagonally across the street and that's how Sabre got started in mid 1967.

SB: How did you arrive at the name, Sabre?

HH: Getting a name is tough because most of the good names are taken. I think my wife actually came up with it, we were just writing down lists of names and most of them were taken by somebody else and came up with that one. We were having dinner over at the Calgary Inn and we requested that name and got it.

SB: Was he able to interest other Germans in investing, like did he take advantage of German drilling funds or anything.

HH: No, we never did that. It probably would have been, in most respects, a good thing to do, from an economic standpoint but we didn't do it. I don't know why, it just seemed that we didn't have very much capital but we had enough to do what we wanted to do. I guess, even in those days, I was more inclined to stay small and to have 100% of something, rather than to take on a whole group of investors. Sure, you got some leverage out of the promotion but you also took on a whole battery of problems in dealing with their people. I really have an aversion to spending a lot of time on that sort of thing. I really like spending my time on putting together exploration plays or working on acquisitions, something that's hands on, you can see the results coming. Rather than a lot of meetings where you're holding people's hand, why did you drill this dry hole and what are you going to do next, all kinds of reporting, I don't like that. It's all right, I can do it, but I really like doing more productive things than that. So we didn't do that. We made an effort, back in about '69 I guess, after we got. . . we bought some production to establish a base and made some pretty prudent buys, looking back. At the time you do those deals, you're always not quite sure, but it was a wise thing to do because we were dealing with capital dollars, in other words, after tax dollars. It would have been foolish to take that kind of capital to go out and drill high risk wells. We could have ended up in a year and it could have been all gone. I'm not going to do that. So we bought some production, established a cash flow and then felt that we could use some other capital. I remember we made a trip to Toronto, perhaps a couple of trips to Toronto and one to New York. It just never got off the ground, we couldn't get anybody interested. I don't know, maybe they didn't like what we were talking about. It would have been a great exercise for them, they would have made some money on it but just couldn't get any interest going. That's a strange thing, you know. There's more interest now, than there was in those years, but you just. . . we couldn't anyway get. . . they were polite and they listened but there was not spark there. We talked to a couple of trust companies and some other financial people. It usually ended up, if there was any interest, it was an interest in promoting us, rather than putting any money in. In other words, they wanted to take our skills and so on and pass it

on to somebody else and take a piece out of it.
End of tape.

Tape 2 Side 2

SB: So I guess. . .did a lot of companies experience that?

HH: I think they did. For some reason we just couldn't get the kind of interest out of Toronto for example, that I felt the circumstances warranted. Why, I don't know. Maybe they were more mining oriented. Because there are some pretty good risk takers down there in the mining business but in those years we certainly weren't successful. Others were to varying degrees. The German drilling funds you mentioned really came along a bit later, I've forgotten exactly when but I would say in the early 70's. Why that was, I suppose there was some change in the tax laws over there, well, certainly there was, I can't remember the exact timing where they really encouraged German investors to spend money in oil and gas exploration around the world and encouraged them by giving them, as I recall it, very high write-offs. That was a substantial tax break and a lot of Canadian companies really capitalized on that. Some of them didn't do very well with it and some did okay. We never even tried, even though there was a connection there. I guess the main deterrent was, once we got started and developed a cash flow and probably I was the one responsible for it, wanted not to burden ourselves with that sort of thing. It might have been a smarter thing to do from a straight economic standpoint but I wouldn't have enjoyed it as much and I don't think I would have been personally as productive if we'd have gone that way.

#021 SB: So what areas did you develop an interest in?

HH: A number of them. We played primarily in Alberta, we had some limited involvement in Saskatchewan and a little bit in B.C. but Alberta. . .you know, when you're that size and limited in staff, you can't be everywhere. We just made a conscious decision, we liked the politics here, felt it was stable and understood it better, so we focussed on Alberta. But we explored. . .we stayed out of the deep foothills and perhaps some of the very high risk, high cost areas because that was probably beyond our pocket books. We had some production in Rainbow, some in Zama, some in the Pembina area, up Ghost Pine, quite a list, just sort of an across the board thing. Our biggest exploration play was one that we developed that was just kind of an unusual thing for a small company. We had a geologist, Lloyd Beavensy, who, he and I worked together at Canadian Superior, my first job and he was from Ontario as I was, and our wives had gone through nursing school together at Victoria Hospital in London. So Lloyd and I became good friends and we worked together at Canadian Superior, we worked together at Alcon and then when we set up Sabre a couple of years later, Lloyd wanted to leave that association. So we made an arrangement. He didn't actually work for Sabre but we hired him on a retainer and a

participating interest, an overriding royalty and he spent all his time on our projects. He's an excellent geologist and a great guy. Not many people know him because he's kind of a low key person but I have the greatest respect for Lloyd. Anyway we developed a play, what we called the Whitford Lake. It was a relatively shallow, channel sand. . colony sand play and we stumbled on it, in effect. You'd like to say it was all skill but it wasn't. We were working on a D-2 sub-crop play and had done some seismic work and we saw this anomaly on the record section. Bill Chilton, another ex-Canadian Superior guy was doing consulting geophysics and both Lloyd and I knew him. As a matter of fact, Bill is from Tillsonburg, Ontario, where I went to high school, so it's interesting how these associations come back. Bill was consulting for us and he gets quite a bit of credit too. He and Lloyd Beavensy together. Anyway we decided to do some more seismic and we kept seeing this thing. What it was, was a channel sand and the sands would get up to 100' thick and we were seeing it on seismic, you wouldn't have thought you could do it. Anyway, we tied it in to an old existing well that Western Minerals had drilled and it had produced about 10 or 12 billion cubic feet of gas, over about a 10-15 years period that there wasn't a steady market. Had there been one it would have produced a lot more and then people would have paid more attention to it. But it sort of sat there all alone. We shot a couple of seismic lines by it and then realized what we were seeing. So we went ahead and negotiated, I think it was 4 farm outs. We had taken in Houston Oils as a partner and they played a key role in it too. I remember Al Whitehead was running Houston Oils and he was trying to negotiate a farm out from Western Minerals and he just wasn't getting anywhere. And we tried and tried and tried and they had the key land in the area. So I said, Al let me have a crack at it, he said, I can't do it, I give up. So I kept pecking away, every 2 or 3 months I'd call and all of a sudden, they said, okay, we'll make a deal. Anyway, we found. . . I think we had two wells and two options and all of them were good and then we really realized we were on to something. We started to do a lot of seismic and tie up a lot of land. We developed some pretty substantial gas reserves in there. Gradually after about a year or two, others caught on to it. Brasscan took over Western Minerals and then we had to deal with Brasscan or Westmin??? as it's now called. I think after a year or two they kept wondering why we were hitting all these wells. Actually we hit. . . seismically we were correct about 95% of the time. Economically it's probably about 75% because in some cases we'd get the sand and it would be wet and we wouldn't find anything in it. But we were actually getting commercial gas wells about 75% of the time. I think finally somebody said, what in the world are these guys doing and then they did some checking, found out we were doing all this seismic and gradually the play got out. But it was really an exciting play, probably the most exciting time in my career because we were on to something that nobody else was on to, which was unique. And the guys involved, there weren't very many of us, there was myself, Lloyd Beavensy, Bill Chilton and Al Whitehead and Harvey Robinson over at Houston and we could keep it pretty quiet because there were so few involved. I still remember going to the meetings, looking at the record sections. You know, you really had your hands in it, it was a fascinating play. Too bad, it hadn't been oil at that depth, we'd have been. . .but it was good, even though it was gas.

#074 SB: Was that one of the major sources of money for you for the company to carry on drilling?

HH: Well, yes, it became more and more important. We got onto that play in 1970, I think we drilled the first wells in '71 or 2 and we were active through '73, '74, '75 and they're still probably drilling those kinds of plays up there because those channel sands, just geologically, they meander around and there can be a whole number of them in an area. So there's still going to be a lot of gas and hopefully some oil. . .well, there is some oil, there's some heavy oil they found in them and they'll find more and more of that. But our intense play was from about 1970 to '76 at the time we sold Sabre. And it was becoming an increasingly important part of our cash flow. Mind you it took time to drill the wells and build gas plants and get them onstream. There's quite a bit of lead time as you know, from finding a gas field to developing it and contracting it and building the plant and getting it going. As opposed to an oil well, where you can just drill it and start trucking oil.

SB: Did you deal with Don Harvie at Western Minerals?

HH: No, I know Don. No, we did not, we dealt on down the line with their land department. And they did well out of it too, because we drilled the wells and in effect, drilled them for half interest. So it was pretty important to Western Minerals, perhaps even more important to Westmin because they took over Western Minerals fairly early in the history of that play.

SB: Were there a lot of companies, like Houston, that were sort of the same size that you could deal with?

HH: Yes, there were. In that business you sort of sort out your group that you're comfortable dealing with. Maybe their skills compliment yours, you know you can deal with them, you know if there's a problem, you'll try and solve it rather than getting in a fistfight over it. So I think every independent develops his own circle of companies that he feels comfortable in dealing with. You don't stick with that, because sometimes the land situation or other circumstances are such that you can't. But Houston was a company, I'd know Al Whitehead, he came up here with Mesa Petroleums in 1959 and I've know Boon Pickens, whose name is very much in the news these days in that big Gulf battle in the U.S. But I've known Boon since '57 and we got to know Al right away when he came up with Mesa. We became friends and so it was logical guy to go to. We made lots of trades together and knew we . . .I wasn't going to cut any corners on him and he wasn't going to on me.

#106 SB: Who did you hire usually as the drilling contractor, did you have any favourites?

HH: Not really, no.

SB: Just whoever could do the job I guess?

HH: Sure you look for somebody, often it's who's the closest because rig moves are the things that make them non-competitive, so you usually look for the rigs that were in the area and then you look for the ones that would give you the best price consistent with performance. You know after you've dealt with some that you like some better than others but no, no particular favourites.

SB: Did you ever consider with Sabre, going public or did you ever feel the need to come up with extra money that way?

HH: We thought of it from time to time. Again, it was not something I wanted to do. Like drilling funds, it's a way to make money and it's a good way, I don't knock it at all. And it's a way to get more investment in the oil industry. It just didn't suit me personally very much, because again, if you go public, you have to spend a lot of time in dealing with annual reports and securities regulations and all those kind of things. I guess having worked. . .you know, started from pretty modest background and worked for someone on up through all those things we've talked about, I guess once I got my independence, my freedom from that kind of thing. Maybe it's just a selfish way to feel perhaps, but I just didn't want to give that up. We could have, for sure, I think we would have, made more money had we decided to go public. But you take on a responsibility when you do that and it's not a short term one. If you're going to invite people in and sell them your shares and take their money, you better be prepared to look after it. I've always felt and we did this in Alcon, when you took in outside investors, I was always more concerned with their money than perhaps I was my own. That sounds foolish but I just feel that way. If I drill a dry hole or something, with my own resources, I don't like it, they don't get any easier, with time you don't get any more immune to it, but still I hate that feeling if you're spending somebody else's money, particularly somebody that doesn't really understand the business. I could deal with Al Whitehead or within the industry. He might take a deal and it was a dry hole, well he's a big boy, he's in that business, he evaluated it. But if I take somebody's money in a drilling fund or a public company, and they don't really understand the business, somehow that bothers me. So we thought about it casually but never seriously.

#135 SB: It might take a lot of the spontaneity out of your decision making too.

HH: It would take some. But it's a good thing not everybody feels as I do because that's a good way to get Canadians involved and interested and it's what makes our system run. I guess I just weighed it and it wasn't what I wanted to do and I felt I could do more with my skills and desires operating the way I did. We did reach a stage though at Sabre, where it was clear, say in '73, '74, where we had to do something, we just couldn't operate with myself and Doreen Warren, who you see sitting here today. She's worked for me for, I think this is the 18th year. And we really had to go public or add people or do something, we couldn't continue to run it, we were just sort of bursting at the seams. That's when we sat down and analysed what we were faced with. It was a time of a lot of turmoil, in the National

SB: Oil or. . .?

HH: Well, the whole industry. It was a time when OPEC started raising the prices and they put the export tax on oil, the big battle between Alberta and Ottawa developed. They were rapidly changing rules and we were caught in the middle of that fistfight. We didn't want to run away from it but just decided that in order to cope with it, that, considering also that we were overloaded, with the volume of plays we were in, the production we had developed and so on, that we had to make some kind of a change. We had to add people

or possibly go public, but in any event, it was a time to sit down and say what are we going to do. And we made the decision to sell. That was in, I think, late '73.

SB: How had the company grown, how much capital did you start with and what did you sell it for?

HH: We started with \$900,000 of actual capital and there was some shareholders loans, which got paid off and at the time we sold, what we had in the company was \$900,000 of capital. We sold it for about \$24 million. We had some bank debt that would have to be deducted from that. So when we started in '67, we started with \$900,000, there were some shareholders loans that were put in and then paid off subsequent and then, from that point on, where we needed outside capital, beyond our own cash flow, we used just short term oil and gas production loans that we talked about earlier. We had pretty solid assets in Sabre, a good mixture of oil and gas, some good exploration prospects. We were early and we were generally aware of that. But again, you were faced with having to do something in that time frame. Probably had we waited a couple of years it would have been. . for sure, it would have been double that. Because the people that bought Sabre, not to take anything away from them, Gary Last and his group, they basically carried on the exploration we had rolling. They changed it from a two person company to probably 20 people in a short time frame. Part of that was their decision to operate wells. We never did that, we stayed away from that and went with other companies that could operate. Had we waited a couple of years, it probably would have been, my guess would have been ,double that number. Prices were going up, you know, that period of time, from about '76 to about '80 or '81, was a time when a lot of people were really expanding. And we had a solid base established. However you make those decisions. What it did for me personally, once we had made that sale, you know, I guess if I was searching for independence I really had it then completely, I didn't have anyone else. It was a good relationship with Carlo Von Moffee, he was a good partner, he generally left me alone. I think it's a good thing he did. That was my business, I had my own money in it, all I had was in it, so I was going to give it my best shot. But it was a good relationship and a very productive time for me. Good people, Doreen Warren who works for me is just a super person, highly competent. It was so small that we were involved every day in the day to day decisions, so I was fortunate to work with good people like Doreen, like Lloyd Beavensy. And fortunate to be involved in some interesting things, particularly that play I described. And generally speaking, had good partner relationships too. That's a matter of your own choosing to a significant degree but they don't always work out well. We just had, particularly in the years from. . well, from '67 to '73, '74, when we made the decision to sell, it was really an interesting and challenging time.

SB: Who were the people that actually went to New York, you said you eventually went to New York for your initial financing, were there any banks there or was it individuals?

HH: Individuals more. We just never got very far with that. In Toronto, we talked to the Bank of Commerce, not that we knew they were interested in doing something like that but we went to them for guidance or advice on who we might talk to. We talked to the National Trust, we talked to Andy Sarlos'??? group, Gordon Sharwood was there at the time. Maybe we didn't make a very sophisticated effort toward that, that was back in '69 as I

recall. Sabre was relatively new, we didn't have much, or really any organization at all. They probably said, look this is sort of a one man band, who are they. So it just didn't work. And we didn't pursue it very hard, we gave it a shot and said, this is not working and we don't really need it, we'll go and do our own thing and I'm glad we did.

#218 SB: So what did you start with after that. You had complete independence, did you have any plans to continue in the business or did you did you think about doing something different?

HH: I suppose everybody thinks about doing other things. You say to yourself, if you get in the situation where you had enough capital that you could do what you wanted to do, what would you do. Your mind runs to maybe going back to university, or taking a whole new career path but I really like the energy business, I like it in Calgary. I've got a lot of good friends here, a lot of good contacts. I guess I just. . . I found too, you know, when you're starting out you say to yourself, if I get to a certain spot maybe it would be nice to go and live in the Carribean or something. That would be the last thing I'd want to do now. I love to go there but for short periods of time and I just can't stand that inactivity. Maybe someday I'll be able to fit that in a little better. So I guess I felt that I had the experience, I had the capital, I had good health and quite a bit of energy and I thought, where can I best utilize that and obviously, here. It's where my roots are, where I know the business. I guess, perhaps in some degree, I wouldn't say a workaholic but I like it. I like what I do, I find it challenging and I get a lot of satisfaction, once you reach a certain amount of money, that becomes much less important, perhaps not even important at all. It's always there, that's how you measure it, but the most satisfying thing is to do something that you think is productive. And maybe in a way, that someone else hadn't thought of and might never think of. The energy business lets you do that. So, I guess after I thought about it, and with all the fury of getting the deal done and getting the money into our hands and putting it into the bank, I said, what are we going to do and I just decided that the energy business would be the place I wanted to spend most of my time. I wanted to do some other things and I have, some of them planned, some of them not planned. One of the things was to maybe, see a bit more of the world now and then. I have made some trips to Africa for example, and I've enjoyed that a lot. I don't do a whole lot of that but I get away from it from time to time and those kinds of things. I'm very interested in agriculture, not as a way of making much money, if any, but I have some farm land here, it's actually on the outskirts of the city. It's in the city now, which is a stroke of luck but when I bought it back in 1973, it was just farmland. I farmed that on shares with the farmer there and I'm interested in that and I still do, I still have it. I bought some more a little further out. So I get a lot of enjoyment out of that and I have a farm back in Ontario, in the area I grew up in. And I'm really interested in that, I guess when you grow up in the country, whether it's Peace River or southern Ontario, you sort of always have an attraction for that area. And I sure do there. Plus that I've got brothers and sisters that live in that area. Anyway, I bought a farm there and I'm really doing a lot with it. I've hired a man and his wife and built a home for them and fixed up a second older home for another family. It's mainly a tree. . . you could call it a wholesale nursery business, if you could

apply one label to it. But I want to experiment in some nut tress, fruit trees. I've got about 18 acres of asparagus. A lot of things that I'm interested in doing and I'm doing and I really enjoy it. I'm too far away to spend the time I'd like to but in a couple of weeks I'll go down. It's a beautiful time there, the leaves are all out, the flowers are all out. It takes me back to when I was a kid, running around barefoot on the farm. But I think I can make some money with it. It's a challenge in doing something I'm interested in doing, something I really enjoy. It's almost a therapy from my day to day work. So that's something I wanted to do and I'm doing it. I'm involved in the real estate business here in a fairly significant way, that was kind of an accident. I ran into a fellow in '78 I guess, '79, on a deal and the deal didn't materialize but we kind of liked the colour of each others eyes and he approached me and said that he knew the real estate business here and would I be interested in putting some capital in. It was kind of reverse of me starting Sabre. I was the capital source this time, in a business I didn't know that much about it. But I did that and we've done well with that. He's an excellent partner, very capable, honest. And I've enjoyed that a lot. So I spend about 2/3 of my time in the oil and gas business, again, concentrated in Alberta. I spend the rest of the time in the real estate business, in agriculture and sine 1980 I've had an oil and gas program in the U.S. and I'm still involved there. Those projects you see sitting on the desk, I'm going to drill 3 or 4 wells in the next four month period of time.

#318 SB: I was going to ask you about your choice to remain as an independent through your entire career, do you feel that there are advantages and disadvantages to being an independent in the oil industry?

HH: Well first of all, I guess, I was with Canadian Superior. Although it was a small company at that time, it was part of a major independent, almost a major. And then the bank was something unique for most geologists. Yes, there are some positives and negatives in it. I think what you miss by not being more with a major than I was, is the training that you get. I think I had good training at Canadian Superior, it wasn't as formalized. Like now, I think the companies, like Amoco and Shell, have a pretty systematic, well thought out, training program, where you might go down to Tulsa for awhile and into geophysics for awhile. And probably you come out of it as a more rounded, better, professional person. I was fairly early in the oil game here and I guess in a way, I'm just as glad in the way my career path went, that I didn't do that, but that would be the advantage or working for a major. The advantage of an independent is I guess, I think it's more fun. The opportunity for individual initiative is perhaps higher, you're not quite as confined and maybe you've got less bureaucracy, less regimentation, less committees and so on. The smaller the independent the more true that is. You sort of sort out where you'd like to be and where you think you're best at and I think I like. . .well, I know I like it best. I'd have a heck of a time going back and fitting into a larger organization. I think I could have done okay if I'd have gone this way but I like this better and I'm probably better at it. I think the most interesting thing about being an independent, particularly a small independent is that challenge of taking an exploration project and putting the pieces together and bringing it all to a head. And a lot of them don't come to a head, a lot of them fall by the wayside for

many reasons and in many ways, bringing it all to a head, participating in it with your own resources, so you've got your own dough on the line and seeing it come together, it's a good feeling. You get that in a sense with majors, but usually that's watered down through a whole lot of people involved. It's pretty hard to point to one person that sort of collected it all and put it together.

SB: You have to have more talents I suppose, a variety of talents.

HH: More variety, maybe not as much talent in specific areas. I think I'm not a very good geologist, I probably never was but there are people who are highly expert in log interpretation or in stratigraphy or lord knows what. I'm not any of those things. In fact, now as time goes by, I'm probably way out of date, out of step. But I still feel that I can understand the language and I can take that side of it and put it together with all the other components, the drilling, the engineering, the reservoir, the land. I'm not very good at any of those things but I can put it all together and perhaps meld it into an economic sense and maybe that's my strong suit. I feel I can do those things and see their strengths and weaknesses and put all those pieces together and say, yes that's a good project, one I'd put my money in.

End of tape.

Tape 3 Side 1

SB: This is May 1st, 1984 and this is the third interview with Harley Hotchkiss. Mr. Hotchkiss, I wonder if we could go back for a minute to IPAC and look at some of the trips that you made to Ottawa as part of a lobby group. Do you remember, first off all, who some of the other people were that you went with?

HH: I was on the IPAC Board twice, I think from 1962-66, and then again, from I believe '72-'76. In the early years of IPAC the organization was smaller, there were fewer members and the people that made the Ottawa trips were. Almost always be the President at the time, Dave Mitchell I remember was President I think, in 1962, the first year that I was on the Board. It was at the time of the Carter Royal Commission on Taxation and several of the meetings were down there to make representations on that subject. The people that went would be the President, in that case Dave Mitchell. Others on the Board who were somewhat familiar with that subject and who had the time to go. That was always a factor. In the 60's we didn't have all the committee structures that IPAC now has in place. Generally speaking it was the people that were involved in that particular area of concern that went to Ottawa. There weren't a whole lot of trips in those years but we went down a number of times. The people we saw down there. . well, we tried to get to see people at the political level and at the working level, the so called bureaucratic level. We saw a variety of people. I recall Edgar Benson was in taxation, he was the Minister of Finance I think when the Liberal party were in power at that time. Donald Fleming for the Conservatives. I'm kind of hazy on the names of all the people we saw then and even the people we went with but that was generally how it was handled. Later on, in the 70's when I was on the Board and I was also on the Executive Committee, I think they had three Vice-Presidents and I was one of them. That was a period of a lot more turmoil. It was the period when world oil prices started to escalate, when the confrontation between the provinces and the federal government, particularly Alberta evolved and export tax, all of those things came to a head during that time. And there were more meetings and it was a very difficult time because the independent sector, well the whole industry but particularly the independents were struggling with the rapidly changing rules. It just seemed like every week, something new came at you. There were a number of meetings in Ottawa. Again, the people involved from IPAC's standpoint, the President always played a lead role. During that time Maury Paulsen was one, Bob Ruben was another, Charlie Dunkley was another. And then people on the Executive Committee and I was on that committee, I think 3 of the 4 years, perhaps the full four were quite heavily involved. By then IPAC had become more structured. In other words there was more specific responsibilities given out to certain Board members. They would head up a committee, maybe the taxation committee or the crude oil committee or the natural gas committee and so those people were all involved too, as were the people drawn from the various member organizations who worked on specific problems. The people we saw in Ottawa at that time, were just about anybody we could get to see because it was a time when there was a lot of political battles going on at the time and industry was kind of left out of it.

And we sensed we were left out of it, we sensed the decisions were being made without really any effective industry input. So we were struggling hard to try and make our case and talk to just about anybody down there that we could get to see, both the party in power and the opposition and the bureaucrats and the politicians. So there was a whole raft of people that we would try and see. I'm making it sound as though we were spending all our time in Ottawa, that's not the case, but there was much more concern at that period of time than there was in the earlier period and we spend did more of our time in IPAC trying to cope with the rapidly changing scene than we had done in my prior term on the Board.

#062 SB: Did you feel that the CPA members sort of overshadowed the interests of the independents?

HH: No, not really. I think they did in the early history of IPAC because the CPA, first of all, had been an organization that had been around longer, it was larger, both in terms of membership and in terms of people on staff. When IPAC first started, as I mentioned it was just sort of a part time thing, very small budget and most of the work was done by the people who agreed to serve on the Board. All kinds of man hours have been contributed to IPAC over the years and still are. And they are in CPA too. So early when IPAC was in its infancy, sure CPA was a much better known, much larger organization, much bigger staff, much better equipped to do some of the research on the problems. As time has gone on, I think that's changed. And I'm not saying anything that's at all derogatory to CPA. It's a good organization but it's an organization that's primarily the major oil companies and initially they had most of the revenues, therefore they had more financial muscle. But what they didn't have was sort of that entrepreneurial, what's going on on the street kind of input that IPAC has always had and I think it's one of the key factors in IPAC. So I think early in the game, CPA did overshadow IPAC, I think that changed as time went on, as IPAC developed a more effective organization. I think IPAC has always spoke for the small to medium sized independent and maybe in some cases at least, spoke, while it maybe didn't have the wealth and committee structure to draw on, spoke more from the perspective of what was going on day to day in the business. As you know over time the independents gradually played a larger and larger role in the number of wells drilled and exploratory plays and so on.

SB: Do you feel at this time that the survival of the independent is guaranteed for the future or what kind of factors would influence their survival?

HH: Nothing is guaranteed I guess. A lot of what you do in the business world, I guess you have to earn your position. But I think IPAC's, the independents future, and I fall into that category, I think it's good. I think as the exploration play evolves here in western Canada, and I think it's already going this direction and has been for some years, that the prospects, the play will become more and more a play for the independents. For a number of reasons and the main one being perhaps, geological. I think as the larger fields are found. I think that we will still find more large fields, that's an argument that some people would refute but I think you'll find them. And they're going to be some surprises, there have been in the past and there will be in the future, pleasant surprises, but generally

speaking I think the play is gradually evolving more and more into an independents play and less and less a major oil company play. The size of the oil and gas field to be found will be gradually smaller, perhaps more difficult to find and, certainly I think, better suited to the kind of small company, risk taking entrepreneurial philosophy that the independents have. So I see it unfolding as more and more of an independents play. The trend is already there and I think that's as it should be. That's how it's unfolding. The majors will probably play a larger role in the frontiers, the deep foothills and in the heavy oil and tarsands, things where they have the capital resources and the kind of structure that perhaps best suits them. Again, I think that's evolving the way it should. To sum it up I see a good future here for the independent oil and gas companies here in Canada. There's one element I didn't mention. I think there's gradually becoming more awareness in government, particularly in the federal government of the key role that those kinds of companies play. I think Alberta has always been aware of it or certainly for many years and I think a number of their policies reflect that. Because they've got policies like the Alberta Royalty Tax Credit and so on have been more geared to support and maintain that momentum of the independent. I think they've been conscious of it. I think the federal government, it's perhaps understandable, they understand bigness better because they're big themselves but also they're physically removed from the scene by 2,000 miles. But I think there's an awareness coming there too and I give IPAC quite a bit of credit for continuing to develop that.

#120 SB: How do you feel about PRCF, do you feel that it's effective?

HH: Yes, I do. It's a . . . I was one of the people that helped get it started, together with Jim Gray and some others. Jim played a . . . Jim is a pretty vital guy and anything that he takes on, he goes at it full blast and very effectively. But together with Jim and some others, we sort of developed that concept, back in '74, '75, recognizing that the man on the street didn't know much about our business and that in fact, governments didn't know very much about it, particularly the federal government and that we had a clear obligation to get off our fannies and do something about that. So we got . . . we supported ourselves, we influenced some others to join. I remember putting together some little luncheon meetings and getting up and talking to people at the Petroleum Club and saying, hey we've got a problem and we better do something about it. Yes, I think PRCF does a pretty good job. It's a difficult job because their sole thrust is to tell a straight forward message to the people. Here are the facts, you judge what should be done about it, but here's the way it is. So in a sense they're not promoting IPAC or CPA or the independent, they're promoting. . . or just trying to at least, explain certain fundamentals of the business, how much governments take in tax, what the rules and regulations are. I think they're doing a pretty good job. I think some of the early efforts, like the caravan, and I was involved in that, perhaps weren't . . . they were good efforts but I think they're doing better now and maybe that's understandable. They've had more time and perhaps a better awareness of what the problems and perception really are out there on the street and how to address them. I think some of the recent work they've done where they've very simply shown what government take is at the gas pump have been pretty effective. So yes, I support

PRCF, I was on that Board for 2 or 3 years after we got it started. And then I think in these things, new people should come along, new ideas, you kind of wear out and you kind of wear out your welcome too if you stay too long in these kind of situations. So I think it's done a pretty good job and it continues to. It's difficult in a sense in that it's hard to keep that financial support up because people think, when it starts to change and you think you're getting some awareness in government and things are going your way, people maybe tend to say, we don't need that anymore. That's really the very time you do need it and you should keep it going.

SB: I wonder if we could talk about your directorships for awhile. You're a director or you're on the Board of Directors of Nova, how did that come about?

HH: First of all, I don't really seek directorships. I try to keep a fairly low profile, there's just no particular reason for that. It's just the way I am. Also directorships can create conflicts and they do take time. Operating as I operate, time is my commodity. If I spend all my time. . . I believe in putting something back in the system, I've served on PCF Boards and IPAC Boards and I do other community things. But I have to keep in mind that my lifeblood is my time and if I spend it all on those things I might as well turn the key on the door here, nothing is going to happen. It happened very simply that Bob Blair came to see me one day and asked me if I would consider serving on the Board. That was back in '79. I was flattered that he came to see me. Nova is a big, progressive corporation. I told him I would think about it. My concerns were twofold, one was time and I guess I believe that if I get involved in something I'm going to do a job with it, I have to analyze it and say, if I can't spend that time, it's not fair to the people that have asked me to serve to take it on. I just don't want my name in the annual report, I want to be able to go to the meetings and think about it and contribute. The other concern I had with Nova is that it's a very large corporation and I don't operate that way. I think I have some understanding of how those companies operate but I'm not a big organization person. I don't have to deal with a lot of committees and people problems. I like people and I think I can deal with them pretty effectively but I really like to spend my time on looking at opportunities. It's where I get the most challenge and the most enjoyment. I was a little worried that I wasn't quite a good fit for Nova. I knew a lot of people on the Board, Doc Seaman is a good friend of mine, Bud McKeague??? the same, Ron Southern the same and on down the list. So I felt very comfortable there but I just wondered whether my input was really what they wanted. Anyway, we had a good talk about it and I agreed to serve on the Board and I'm still there. I'm much more comfortable with it now. I like Nova and I like their philosophy, they're good corporate citizens in the sense that I think they're always aware of the total environment they work in. Their employees, the role of other players in the game, I think they've been always conscious of the role of the independents for example. Even though they're very large, they've tried to be aware and some of the things they do have tried to keep that in mind and to do things that would be helpful to those kinds of companies. So I like that and I like that in Bob Blair and the key people around Bob Blair and the corporate philosophy. I guess also I've become more comfortable because I can have some input from the kind of position I've come from. And that's a position that a lot of other small companies around town are in and so maybe having a

voice on Nova's Board, coming from someone who's involved at that level, on the day to day things, probably is of some help. So I like that association.

#198 SB: Another one is Blue Water Oil, how did you become associated with them?

HH: Blue Water is a small oil and gas company and the controlling shareholder is a man called Stelman Prentice???. He's a grandson of J. D. Rockefeller, his mother was J. D. Rockefeller's daughter. So he has a significant amount of inherited wealth. I met Stelman Prentice and his people through some deals that we had together back when I was running Sabre Petroleums. We did some things together in Ontario and New York State and in a mining prospect in British Columbia. Got to like each other. Though we didn't make any money in those relationships, I liked the way they did business and I guess they liked the way I did. After we sold Sabre they came to me and said they wanted to add a Canadian Director. And I agreed to do it. It's not a very time consuming thing. As time has gone on, they've become much less active in Canada and their main play now is in the U.S., particularly in the state of Wyoming. But I still stay on the Board and it's a relationship that I enjoy. There I can contribute quite a bit because they're involved in some of the same things I am.

SB: I had two names, Hank O'Shay??? and Frank Fornier???, are they on the Board or are they. . .?

HH: No, they go way back to the early history of Blue Water, before Spelman Prentice was involved. Blue Water was an old Ontario company, I don't know the history of it, Frank Fornier was very much involved in setting it up. It was later, I think either taken over or Canadian Export Gas bought an interest in it. Hank O'Shay was, as I recall, the Chief Geologist for Export. And later on, Hank O'Shay moved to Ontario, left Export and Hank O'Shay is still there I believe in London, Ontario. He has nothing to do with Blue Water and has not had for many years but they were involved in the early history.

SB: And Con West Exploration, what's their history.

HH: Con West is an old, well known, Canadian mining company formed by a man called F. M. Connell???, who incidentally died a couple of years ago at age 96, still active almost tot he end. The company historically has been in the mining business and they pioneered many well known mines in Canada. The grandson, Martin Connell, now is the controlling shareholder of Con West. They approached me back in 1977, through one of the banks here and came to Calgary, Martin Connell and John Lamocraft???, who's now the President. We had a nice meeting and they asked a lot of questions about the oil business. What they were trying to do was, they saw the opportunities in the energy business and felt that they should to some extent, de-emphasize mining and get some balance in the energy business. They wanted me to go to work for them and I said I just wasn't interested in that, I'd worked with someone all my life and I wasn't going to do that anymore. But they came back again and we worked out a sort of a handshake relationship where we would world together on opportunities in the oil and gas business. I would have the opportunity to put some of my own capital in, side by side with theirs. They set up an office here, actually they worked out of my office here, for about a year and a half. That's grown into their main business, they have an office here in Calgary, they have about

somewhere between 15 and 20 people now. An exploration staff, engineers and so on. We've done a number of things together and still do. I went on their Board in '79, I enjoy that association a lot. I guess partly because I've helped them get started and grow and that's a satisfying thing. It's also provided a continuing opportunity for me to participate and that's something I like to do. Con West . . . they're a public company so anything I'm saying is completely on the record. But they now have oil and gas revenues of. . . oh, I guess this year they'll be close to \$20 million. So they've become a fairly significant factor and they plan to do more things. They're public and trade on the Toronto Stock Exchange. It's a good company, I like the people, they work hard and we have a lot of things in common. It's a relationship that I value and of all the Board relationships, it's the one, I guess, that I'm. . . I was going to say closest to, that's not the right word, but I. . . it compliments what I do, more on a day to day basis and a lot of the things we do, I'm in there participating directly with my own capital. So that's been an interesting one.

#274 SB: And you mentioned Mesa Petroleums before, they're involved in the news quite a lot now.

HH: They sure are, particularly the last six months. Boon Pickens, who is the founder of Mesa, and is the Chairman, President and Chief Executive Officer today. I met Boon when I worked for the Bank of Commerce back in 1957, he came up to Canada. He's about my age, we've similar backgrounds in the sense that we're both geologists, both graduated about the same time. His business path has been much different than mine, he started that company and went public with it and it's now a \$2 billion + corporation. I like Boon, we became friends right away and he came up to Canada and opened an office here in 1959, exactly the same time I left the bank to set up Alcon Petroleums. In order to save some money, we were both pretty darn small at that time, we shared some well cards and logs and production facilities. We did that for 4 or 5 years and did it without having any problems. We participated in a number of deals together, some that I would originate, some they would. And it was a good working relationship. We had some tough trading but we never had any problems. I think very highly of Boon Pickens. He's a very capable, aggressive, not only an oil and gas man, but businessman. He's got one of the sharpest financial minds. He's a geologist but he's got one of the sharpest financial minds that I know of. So we've continued that relationship on over all the years. Boon actually lived in Calgary in 1968 and '69. His Canadian operation was very important and he didn't think it was going well, he had a change of personnel and came up and personally was involved here. He sold Mesa's Canadian operation to Dome in 1979 and actually I worked with them. . . that's again, that kind of work I don't seek but I knew them so well and knew their operation so well, when they decided to sell, they asked me if I would handle it from the Canadian context. They had investment bankers who played a role but for example, when the bids were solicited, they went out of my office and they came in to my office. It was an exciting time because we were talking a lot of money. I suppose if you translated the way it was sold to Dome and equated everything to dollars then, it was probably a \$600 million transaction. So I went on Mesa's Board in 1982. Boon asked me, he said they needed to expand the Board and would I go on. I had some reluctance there

too, for two reasons. One, he was a good friend of mine and when you go on a Board you have a responsibility to shareholders and that has to override the friendship. As much respect as I have for Boon, there may be times, when as a Director I have to stand up and say, hey, wait a minute, that's not what you should be doing from the shareholders viewpoint. That hasn't happened and probably never will because he's very conscious of shareholders. He's one of the few business people. . not few, but perhaps he's one of the business people that's most conscious of shareholders rights. He thinks they're often forgotten and the professional managements just sort of go along, with their own way and with their own perks and their own perpetuation of the system and forget the people that own the company. So I had some concern from the friendship standpoint and also the concern that, here's a corporation that, having sold their Canadian interests, are almost entirely in the U.S. I have some oil and gas involvements of my own down there but it's not a game that I play a lot. And I wondered again, about my contribution. But I know Mesa very well, I know Pickens well and I have a lot of respect for what he's done and decided to take it on. It's a very interesting Board. As you mentioned he's been in the public eye a whole lot in the last six months or so, in that Gulf situation and I've got a stack of reading material that must have been about 10 pounds a day. So it was hard . . . a lot of work, hard to keep up with all of that and you need to because you have to know what's going on.

#343 SB: Were you involved in the decision to take over Gulf at all?

HH: Well, I was certainly aware of it from day one and throughout. As a Director you have to go along. . you know what they're doing and if you felt that it was wrong you'd have to say so. So yes, I was involved from the standpoint of a Director. I wasn't on the day to day firing line. But I knew what was going, either by telephone or by mail or meetings, we were kept very much up to date with day to day events there. It's an interesting role to be in because you know a lot of things, as you do on most Board relationships, that the public doesn't know and there's nothing you can say or do about it. You're there to represent the shareholders of Mesa and also keep your mouth shut about anything outside.

SB: You also have some kind of social directorships, such as with the Banff Centre, would you like to comment on that?

HH: The Banff Centre as you know is in Banff and it's the old. . . .

SB: I'll just change the tape.

Tape 3 Side 2

HH: The Banff Centre is in Banff, it was started by Senator Donald Cameron back in the '30's and has grown to really a very world recognized organization, essentially for the Arts, music, theatre and it also has the conference centre and the Banff School of Management. There are really three components there, with the main one being the Arts, that's where the main emphasis is, should be and will continue to be. I'm on that Board because the Board people there are, in effect, provincial appointees. You're asked to serve by the provincial government. There's no compensation for it, it's just a voluntary contribution of your time. It's an interesting assignment. I don't have any particular close association to the Arts. I mean I enjoy certain components of it but it's not something I've had a lot of involvement in, in my life. I didn't come from that kind of a background where I could have the involvement and I guess my interests have been more in other areas than in theatre and music. I enjoy all of those things but there's not any one of them that I have a compelling interest in. It's an interesting association because it's another completely different part of my life. I suppose if I add anything to the Board, maybe it's again, it's big business. There's a lot of dollars involved in running an organization or an institution of that size. I suppose where I'd be most effective would be adding some element of business judgement in those things, as opposed to being able to add anything significant in the way of ballet or theatre or so on. But I enjoy it, it's a diversification. Again, I wondered when I was asked to serve whether I was the right person for it because of that perhaps, limited background in that area. But having served on it, I'm just coming up to the end of three years, I think again, I can maybe bring something to the table from time to time and it's an interesting assignment.

#042 SB: You're also a Trustee on the Manning Foundation, would you like to explain the history of that?

HH: Well actually I'm just going on the Manning Foundation trusteeship, Dave Mitchell just talked to me 30 days ago, I don't even think it's been officially announced. The Manning foundation was something set up by a group of business people, spearheaded by Dave Mitchell. It's a foundation in honour of Senator Manning, well, Premier of the province, who I had a lot of regard for. I think he ran the province well. Since I had come to Alberta when he was in power and had lived under his leadership for many years, I was interested in supporting that concept, to recognize him. When Dave came to me, it was Dave or Art Childs, it doesn't matter who it was, back when it was first set up, 4 or 5 years ago, I made a financial contribution to it, because I was supportive of doing something to honour Senator Manning. Also I was supportive of what they were trying to do and that was put together a foundation that would seek out and reward innovative Canadians. They've been doing that and Dave came to me a month ago or a couple of months ago and said, they have trustees of the foundation and then they have people who serve on the committee that I'm going on, which is to help select people that will be beneficiaries of

the foundation. In other words, who are these innovative Canadians. George Gauvier??? heads up that committee, there are a number of people across Canada on it. I'm speaking about something I haven't been involved in yet, but my understanding is we will have resumes of the various people who are potentially eligible for these awards. And the awards are significant. And then we will have to select out of all those candidates, the one or the ones that will win it.

SB: Is it mostly in the field of technology?

HH: No, not necessarily at all, it can be . . . that could be part of it, it could be agriculture, it could be just anything. Anything that's done by a Canadian that's innovative. We'll be looking at a whole variety of things, clear across the spectrum. I really can't speak on it with much . . . very capably, because I haven't gone through the process yet. I did talk to Dave about it and I'm generally aware of what they do but maybe, give me a couple of years from now and I'll be able to tell you a whole lot more.

SB: I wondered also about your professional memberships, are you involved with the CSPG or . . . ?

HH: Yes, I am. I belong to a number of them, I haven't been particularly active in several of them, in the CSPG I've been a member for many years and served as a Director there, some 10 years and that's about the extent of my involvement. I support the organization, it's a very good one. Again, a lot of volunteer man hours go into making that organization very effective so I think highly of it. I belong to others like the American Association of Petroleum Geologists, I'm a fellow of the Geological Association of Canada. It sounds bigger than it is, that's just what they call the people that are members, there's no particular honorary thing involved with that. And then, the Canadian Institute of Mining and Metallurgy, the Society of Petroleum Engineers of the American Institute of Mining and Metallurgy. I'm a member of the Alberta Association of Professional Engineers, Geologists and Geophysicists.

SB: APEGGA?

HH: APEGGA, yes. All of those, there's probably some others that I just can't think of, I've been members of for many years. I guess because I think those organizations should be supported, they do good work. You can't play a key role in all of them and I haven't. Perhaps more involved in the CSPG than any other but even there, not a heavy involvement.

#083 SB: How do you feel about the controversy that's going on right now between the way some geologists feel that they don't have to have membership in both the CSPG and APEGGA? What do you feel are the respective roles of those two organizations?

HH: I haven't thought about it a whole lot. I see APEGGA more as a regulatory control type of agency where I see the CSPG as much more an organization that promotes the profession of geology, particularly as it would relate to the petroleum industry and particularly here in western Canada, although there's petroleum industry elsewhere and they do have . . . that's why it's now called CSPG, rather than the old ASPG. So I see the CSPG as an organization that sponsors field trips, has meetings, gets people to write papers to

encourage the development of the geology and of particularly the petroleum geology. So I'm not sure I'm answering your question very well. I'm aware of the controversy, I have no big problem with the way it currently is, perhaps I'm just not aware enough of what people's feelings are but I don't have those feelings. I think it's working okay.

SB: I wondered if you'd like to discuss how you got involved with the Calgary Flames? That's probably one of your consuming interests.

HH: Well, it is. I really enjoy it. I guess because like a lot of Canadians, hockey is my favourite sport. Growing up where I did, on the farm in southern Ontario, I didn't have the opportunity for very much, if any, coaching as such, but that's what we did when we were kids. We'd go out and shovel all morning to clear off the pond and we'd use our boots or overshoes or whatever we had for goal posts and we'd skate all the rest of the day. A lot of farm kids, certainly in that area, that's what we grew up with. Later on, I played some hockey in that area. Again, it was down at a level that wasn't very good hockey. They had a rural hockey association and some of the little towns had hockey but it was all outdoor rinks at the time and the ice was kind of up and down whether you'd have any or not. Later on when I went to Michigan State University, I did play hockey there. Again, I wasn't that good a hockey player but I did make the team and play on their university team and that was the best level of hockey that I ever played. That hockey is much better now than it was then, but still it was . . . I don't know what it was equivalent of, maybe junior B at best. Anyway, you asked me about the Flames, I guess I've always been interested in hockey, I've followed it closely. Back in those years Toronto was my favourite team. The Seaman brothers as you will recall, are good friends. I worked with them in Alcon Petroleum and we've known each other and done lots of things together over all the years and they're people that I think very highly of, both to their ability and their integrity. They came to me in early 1980, Doc and B. J., the two brothers and said, listen we have this concept of getting an NHL franchise here. We're talking to Tom Cousins in Atlanta, we're talking the Premier because we recognize we have to have a facility to play in. You can't have an NHL franchise without an arena that will seat 15-16-17 thousand people. That has to involve the province and the Olympics, all of these kinds of things. They said, are you interested and I said, sure I am, count me in. I knew they could carry the ball very effectively so I was not involved in those discussions with the Atlanta owners and with the Premier. I was kept aware of what was going on and I was part of it in the sense that I agreed to be in. But I was quite comfortable letting Doc and B. J. handle it. We were going down the road and I think would have ended up with that franchise but Nelson Skalbania jumped in the deal. Nelson is. . . I didn't know him at the time, I know him now, and without being disrespectful to Nelson, he's a guy that jumps in quickly in things. That's sort of his trademark. Those were buoyant times in 1980. He just jumped in with more money and grabbed it. We were faced then with what do we do. Because the Seaman's idea, and I was fully supportive of it, if we got the franchise here, was to flow the profits back into the system, into hockey research, hockey scholarships, amateur hockey, particularly Olympic hockey. With the idea that hockey in Canada needed something from that area, that maybe some of the concepts developed in Europe,

particularly the Russians and the Czechoslovakians, they had gone ahead of us in their approach to the game. We were seeing Canadians going to the U.S. for example, and getting some financial assistance, as I did, at Michigan State and maybe not coming back. We felt there should be more of that in Canada, that we could do things here to really upgrade what is our national game. So not only was it the idea of having an NHL franchise in Calgary, we thought Calgary was ready for it. But we went beyond that, we wanted to put something back into the system because we felt the system needed it and also because all of us had done quite well here and we wanted to do something and put something back to recognize that this city and this province and this country had been good to us. And it was a way we could do it and hopefully enjoy it. So when Nelson moved in and grabbed it, we thought well, what do we do. Drop it and forget about it or do we scramble and come back. Well, Nelson was perceptive enough to realize that he's an outsider, and in order to get the kind of momentum and support he'd need to have a facility to play hockey in that he needed some local input. He also needed the money because while he bought the deal, he didn't put very much on the table. So he needed somebody to come along and . . . that again, was Nelson's way of doing it. He went to Norman Green, who is in the real estate business here. Norman is pretty politically aware and he recognized right away that our group, through the Seaman's had been keeping the provincial government in touch, through the premier. So to shorten the story he put us together. I remember going to the meeting, there was Doc and B. J. Seaman, myself, Norman Green and Nelson Skalbania and some lawyers. It wasn't a very pleasant meeting, because they in effect, were saying, we got it and you guys were out. I felt like saying. . . I wasn't the spokesman. . . well, if we're out, let's pick up our cards and leave, what the hell did you ask us here for. Anyway, two days later we got a telegram from Nelson, offering us to come in and participate, at his cost, except that we had to put up the front end money. We got it back over time but we were participating on the same basis as he did except that the amount of cash put up front, we would have to put it all up but we were able to recover. And he offered us 49% and he gave 1% to Normie Kwong, you'll recognize that name, Normie was a well known football player here that helped Nelson I guess, a bit, in an advisory capacity and selling tickets that first year. Anyway, we accepted it, so it was owned 50% by Nelson, 1% by Normie Kwong and 49% by Doc Seaman, B. J. Seaman, myself, Norman Green and Ralph Scurfield??? of New West came in, I believe through the Seaman's. I'm not really sure of that but I believe Doc invited him in too. I didn't know Ralph then, I knew who he was but didn't know him. That's how it was, so for the first year that we ran that franchise, really Nelson was the dominant factor and he got all the publicity in the press and he's the kind of guy that gets that sort of thing. He's flamboyant and flying around in jets and flipping real estate deals and so on, very colourful. We recognized that Nelson was the kind of a guy that could get himself in some financial squeezes from time to time. And we felt that over time we would probably end up having an opportunity to get more. That happened, not quite the way we wanted it to happen and I won't comment on that because there's some things that went on that perhaps we weren't particularly in agreement on in the group. But the end result was, by the end of 1980, we had purchased another 20% of Nelson's interest. It

cost us something to do it, he put some money in his pocket on that and then in August of 1981, we bought the remainder of his interest. He in effect, had sold it to someone else and we had a first refusal on it, we moved in, exercised it and so in September 1981, Nelson was completely out. We had to pay him something for it, he took a fair amount of our money with him when he went but at that time, it was owned then by myself, Doc Seaman, B. J. Seaman, Ralph Scurfield, Norman Green, as to 99% and Normie Kwong had 1%. Normie. . . we all knew Normie and he wanted to have a bigger, more meaningful interest and we had a couple of meetings and agreed to let him increase his interest from 1 to 10 and we all reduced proportionately. He just came in at our cost, we didn't promote him or anything. So, the end result is, by about November 1981, there were six Calgary owners, there were five of us that had 18% each, myself, Doc Seaman, B. J. Seaman, Norman Green, Ralph Scurfield and that made 90%, Normie Kwong 10. And that's the way it is today.

#202 SB: Do you think that Skalbania knew that you were interested to begin with, do you think that that's why he went and checked it out?

HH: I don't think so. He probably knew there was a Calgary group negotiating, he may have known the names but they wouldn't have meant anything to him. No, Nelson I think. . . it's typical of Nelson, he just saw an opportunity and he was right, it was a good opportunity. He overpaid for it and of course, we ended up overpaying for it too, because we had to come in at his cost and then we even had to pay more to get him out. So the whole end result, it was a significantly more expensive exercise than we wanted it to be and than it should have been. But that's the way it went and it's water under the bridge. The only problem with that is, keeping in mind our commitment to plow profits back into the community, the bottom line of all that is, the amount of money that Nelson overpaid to the Atlanta owners and the amount of money we paid Nelson is money that would have really filtered back much quicker into the things we wanted to do. So I talk about us suffering, but I suppose in a sense, the community and some others suffered because it deferred our ability to do the things we wanted to do for some period of time. We'll get them done but it's just not going to happen quite as fast because of the way it evolved. It's been a good association. Our ownership. . . sure, we have differences from time to time but essentially we've got a strong ownership group and we work well together. We've got a good organization, we inherited in my opinion, really good people from Atlanta, Cliff Fletcher and Al McNeil and on down the list. I feel very good about it. It was tough going in the Corral, we expected only to be there two years and we were there three. Even though we had high ticket prices we couldn't make any money in the Corral, we had substantial losses in the first three years. Now, we're in the Saddledome, things look reasonably good. This year, the first year in the Saddledome, we had some fairly heavy, what I would call, one time only costs. The costs of moving the office and furnishing the office and the new equipment in the training rooms, all of those things added up to probably over \$1 million of expense that you have to do when you move into a new facility like that but you don't have to do it again. Next year, I think as long as we can keep a good team, a competitive team particularly, a team that the community of

Calgary identifies with and supports and if we can continue to sell tickets as we sold them the first year, we'll make some profit. It'll let us get back on side and it'll let us move ahead with the kind of objectives that we had, specifically to go ahead with our thoughts for hockey research and the Olympic hockey. In fact, we're doing some of those things now. Even though we were losing money, we have still put some money up to get those things under way. And we did back in the first playoffs in 1980-81 and we're continuing to do it. So, where we are now, we like it. I find it's something we really enjoy. Sure we'll have problems but I think the biggest problems are behind us. I like that way the team has developed. I think they've developed under Bob Johnson particularly a character team, a team that's identified as being willing to go out and work hard and try hard. You may get beat but you don't, at the end of the game, feel that you haven't given it your best shot. I think that's important. I really believe the people of Calgary, they have supported it well enough. I think they'll continue to support it. As long as we keep a competitive team that identifies well in the community. And that's important to us because we're here, we've got deep roots here and this is a long term goal that we've got. So it really is important to us that we develop the kind of team and the kind of organization that become an integral part of the Calgary community. That's going to take some doing and it takes some time. For one thing, you know, most of the players aren't from Calgary. So the natural thing is when the season's over, they go back and you and I would do that too. But now, we've got Lanny MacDonald with a home here, Doug Reisbrough's bought a home here, people like Reinhardt, Peplinski, Conroy spend most of the summers here. That will develop with time. And to sum it all up, we've had our problems but I think the biggest problems are behind us, I think Calgary was ready for it, I think whether or not you're a hockey fan, Calgary having an NHL franchise like that is a good thing for the community. We've been disappointed that the press don't seem to regard it that way. Maybe they're coming around a bit but they seem . . . it's fair enough they criticize you if you have a bad game or do something wrong but surely there's something good about having that sort of addition to the Calgary entertainment scene in the wintertime. We feel that way and I hope that a lot of Calgaryans feel that way.

#271 SB: I wondered if you'd like to comment on your family, you mentioned . . . are any of your sons involved in hockey or . . . ?

HH: I have five children, four sons and a daughter. They're grown up now, four of them have finished their university careers and my youngest son is just graduating with a degree in finance right about now, he's writing his final exams. And I think he'll go on to take an MBA. All the boys played hockey through the community leagues here and they were all pretty good hockey players. I don't know whether any of them had enough ability to go on up through the system. I didn't encourage that, I didn't discourage it. But it was important to us that they have that but also that they have an education and I'm proud that. . . . you know, a university education isn't necessarily that great in itself but it does show that they've had enough discipline to go ahead and do it. So with Jeff graduating they all would have had their university degrees. My daughter went a year to Calgary and then finished in the University of Western Ontario, my oldest son went to the University of

Alberta and took a degree in zoology and subsequently added an education degree. The third child, a son has a forestry degree and he's working in Edmonton and the fourth son is a lawyer. He's flying jets now, not practising law but I think he'll eventually go back into law, he's just kind of. . . . He loves to fly and he wanted that challenge and didn't want to sit in an office for awhile, so that's fine. The youngest, as I mentioned, will be taking, I think taking an MBA in finance. None of them have been particularly oriented toward what I do, toward geology. The one that's a lawyer took a geology course and said it was the worst course he ever took. And I haven't pushed that. I would rather. . . I found it important in my life and I felt that way about my family, I want them to do the best they can in what they choose to do, but I don't want to choose it for them. If they want to come and talk about what I do and if they're interested, I'd be delighted but I don't want them to feel any pressure to do that. I think there's a lot to be said for making your own career decisions and following them up. I did and I'm grateful for it and I think it's important to them.

#312 SB: I was wondering if I could get your feelings, just generally about the Canadianization of industry, do you feel that that's an important move or. . . ?

HH: You mean what they're trying to do under the NEP for example?

SB: Yes, or just generally, do you think that's a desirable outcome, do you think in the end it will be beneficial to Canada as a nation?

HH: I think it's a desirable outcome. I'm really not in agreement very much with the way it's been handled. I believe that we would have had significantly more Canadian ownership if there would have been an earlier and better recognition of. . . we're speaking of the energy business now. . . better recognition of that back in the 50's. Recognition that this was an important business in Canada, recognition that there should be some incentives for Canadians to participate on an equal basis rather than operating, as we did for so many years, at a distinct disadvantage. We just couldn't get that message through. We would have had, just as it would have evolved, we would have had a lot more Canadian ownership. Look at my own case for example. For years, I couldn't do what I really wanted to do. I do it now and what I develop. . . I mean, I'm 100% Canadian and what I did in Sabre Petroleums and what I'm doing now is developing more Canadian ownership. I'm not very much in favour of doing it by way of penalizing people who have moved in and played the rules and helped develop and hired Canadians. Most of the American companies that are here are gradually to the point where they're all Canadians working for them and they've done a good job in developing resources. And those resources are under control, they're under control at the provincial level, they're under control at the federal level, they're under control from taxation. So it isn't just those people can take those so called foreign owned resources and pick them up and carry them somewhere, they can't. They're controlled all the way through and if we're not getting enough out of it, there's many ways in the system that we can do it. So I'm in favour of more Canadian ownership. I think it's a good long term objective. I think it would have come a lot quicker and a lot more effectively and intelligently, had there been an earlier awareness, particularly in Ottawa and in eastern Canada, of the opportunities here. And

had they done some of the things much earlier that they subsequently did. I'm not in favour of what I call, punitive provisions of more recent legislation, the NEP and so on. I don't like that very well.

End of tape.

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HH: Just one other comment, we were talking on that Canadian ownership, I think it's sort of a natural evolution in the history of a country like Canada that's under capitalized and particularly in a business like the energy business, that things happen as they did. That so called foreign capital comes in and foreign expertise comes in and then over time, that expertise is replaced by home made expertise and that more capital is generated in the host country, in Canada in this case. But I think it's something that is going to take time to evolve. I guess I'm concerned that you try and do things in a punitive way, penalizing people who have come in here in good faith and done a pretty good job. Do some things to let Canadians at least compete on an equal basis, perhaps do give them some special encouragement through our tax system to have more share ownership in Canadian companies. I think that it could have been handled much better and more effectively than it has been.

SB: Another development that's happening now is Canadian companies are taking more interest in U.S. activities. So I guess things are kind of balancing out.

HH: Yes, a lot of them got their fingers burned on that deal. They are, I think a lot of that was sort of a negative participation in the sense that they were reacting to what they considered, adverse legislation in Canada and were moving away from that to try and get opportunities elsewhere, particularly the U.S., to diversify and to operate in what they thought at the time, was a more attractive environment. Perhaps it was more attractive from a business standpoint, it probably was less attractive from a geological standpoint and I think a lot of the people that got hurt overlooked that. And they made one other fundamental mistake, they moved too quickly and they didn't check out thoroughly enough, the people they were dealing with. How that happens I don't know but it does and I see it happen here today. People come to Calgary, they try and . . . they want to make a new association in the energy business and sometimes they, quite often as a matter of fact, they make some very poor associations. Maybe it's the glamour of the business, I don't know what gets them. They seem to be susceptible to somebody's story rather than making those very basic and fundamental checks, who are these people, what's their track record, how are they regarded in the industry and so on. To me it would be very easy to do. When I went . . . not setting myself up as any great expert. . . when I went to the U.S. in 1980, that's the first thing I did. I had some connections from working for the bank and I checked them out pretty carefully. I checked them out with Boon Pickens for example,

whom I know well and said, hey who are these people, what's their record. If we've got a problem will they look you in the eye and solve it or are they going to be suing you or something like that. And those are the kind of things I think you always should do.

#033 SB: I guess this is kind of a philosophical question, but do you think the provincial, federal situation will resolve itself in the future, as far as the energy business goes?

HH: I think it will improve substantially. I don't think it'll ever be solved because there's some basic differences there. Both governments have to run their own operation, they need money and there's going to always be a contest for what share is fair. I come down much more on the provincial side in that argument. I know some other people don't but I think that this government understands the business so much better, they're so much easier to talk to, they know where you're coming from. I always find that very difficult in Ottawa, and perhaps again, it's understandable, they're not in a producing area, they're surrounded by consumers, that's what they hear every day. They're a long way physically from our problems and they don't have many people over they years down there who have had much grass roots experience in the industry. So perhaps there's some reason for the differences. But on balance, I come down very much in favour of the provincial side. It is a provincial resource. I think the royalties are, like most other producers would say, I think they're probably too doggone high but on the other hand they have tried and have fairly effectively shielded, particularly the smaller independents from the effects of some of those federal policies, through their Alberta Royalty Tax Credit and other systems. So they've tried to. . .they've done a pretty good job in looking after that. The worst part of what's evolved is what I call an overly complicated bureaucratic system. You've got one government saying, all right if you do that, I'm going to do this and you can't deduct that and the end result is we've got a system that is a field day for lawyers and accountants. But it's a nightmare for your entrepreneurs, your geologists, your productive people. And that's wrong. That's got to be addressed and it's got to be corrected. We just simply can't spend the amount of time that we're spending on what I call unproductive work. So the system has to be simplified. I believe that there's already signs that some of that conflict is dying down. There seems to be a better air of cooperation developing, not only between the provincial and federal governments, but both governments I think, are aware that they overlooked industry too much. They needed to have and should have had more effective industry input and I see clear signs that that's happening. Now, there's going to continue to be problems. I think what we need right now, quite frankly, is some new faces in Ottawa, particularly. I don't say that in any partisan way, I just think that not much is going to happen until we get a new Liberal leader picked and particularly not until we go through a new election and decide who's going to be running the country. I just think that we're overdue for some new faces down there and I don't think that very much is going to happen until that comes to pass. When it comes to pass I'm fairly optimistic that we'll move toward a more effective, simpler system. There will always be a conflict, industry will say, we're not getting enough and Alberta will say, we need more because it's our resource and Ottawa will say, we need more because we have to run the country. Those

fundamental problems will always be there but I think we'll be addressing them in a more intelligent way with more effective industry input. So I feel generally. . . I was going to say optimistic, guardedly optimistic about what's going to evolve over the next three or four years. And I think another thing, I think the people in Canada, perhaps are becoming more aware of some of the damage that's resulted from some of these conflicts and from the National Energy Program. I don't think those were good for Canadians. Forget that I'm here and in the oil business and live in Alberta. I think some of those policies the people that were hit hardest on, are the ones in the province in Ontario. Because let's face it, if we don't the right thing in energy, the last ones to suffer will be Albertans. We've got the energy base here. The first people that will get hit will be the people in Ontario and Quebec. They probably never stop and think about that but that's what will come about. So it's as much in their interest, perhaps even more in the long term that these things are handled more effectively.

#079 SB: Looking back over your career to date, are there any periods that you would say were more significant or that you enjoyed more than others?

HH: Yes, I suppose. You know, it's funny, you go through life, a lot of little turns in the road that you look back and wonder why you took them. Even going to university was one for me, I think I mentioned that. I was out of school for four years and that was a major point. And it was not something that . . . I guess subconsciously I realized I should do but it would have been so easy not to do it. Anyway that was one major point. The second one I guess, would be making the decision to go to work in the oil business as opposed to carrying on with a higher education oriented toward mining. That was just almost a flip of a coin, it was almost at a whim that I did that. Not that I took the job but that I even applied for it. Once I had the opportunity it was clear that that's what I wanted to do. I suppose another one was leaving the. . . recognizing when I was working for Canadian Superior that perhaps I was more oriented toward the business side and going to work for the bank was another major time. Leaving the bank, going back in as an independent was a very major decision because I left a highly secure job for one that had no security at all. And then finally, I guess, it was sort of a natural evolvment, having made that decision, to go out of the banking business per se, and back into the oil business, then that evolvment through Alcon and then Sabre, where I had more and more interest. I suppose the last critical decision was the one to sell Sabre rather than use it as a building block, which meant that I was strictly on my own. I guess I probably have come to the place, I hope I have anyway, I better have, because I can't turn the clock back, where, I like what I do. Day to day there are problems, but I like being independent, I like being able to make my own decisions, I like being able to pick the people I work with, whether it be in the oil business or in the real estate business or in the hockey business or the Boards I serve on. I guess what I'm saying is I like that idea of independence. I'm not saying it's the best for everyone, obviously it isn't. I'm not saying it's the best way to, strictly if you narrow it right down, where you make the most money, it may well not be either because you're not, I'm not at least, leveraging my position. I get all kinds of opportunities where people come and say, will you represent us. I could invest my dollars, essentially, at no risk. I

don't choose to do it because I don't mind taking risk as long as I have an opportunity to judge it. If I'm wrong, I'm the guy that's wrong. Secondly I really don't want to take on at least anymore, responsibility for other people's investment decisions. I'm not completely comfortable with that and particularly with people who don't have the knowledge of the business and therefore can't judge it as you can. And even though you did everything right, they may not know you did everything right and I don't like that feeling. So it's all evolved I suppose in a way that. . . I didn't plan it, didn't sit down and have that specific game plan but probably as time went on I was working to where I am now. I don't want to sound smug, but I like what I do. I like the energy business, it's a good business, good people. I like the sideline things I do. I like the diversification of being on the Boards, it gives me a window into how other people do things. I like my involvement with the Calgary Flames because it's maybe a boyhood . . . I never had that boyhood dream, I never even thought about . . . I had dreams of playing in the National Hockey League. I was nowhere near good enough, but I never had the dream of having a partial ownership but if somebody had asked me years ago, would I ever like to be in that position, I'd have said you bet. So I like that too.

#126 SB: Are there any other things you'd like to mention before we wind up?

HH: I don't know, we've really covered the waterfront Susan. I guess I look ahead in a broad sense at what's unfolding in Canada. We've got lots of problems, we've got the east versus west, the consumers versus the producer, the French-English problem. But it's been a great country to be in. I think we're blessed and it's been perhaps particularly good in this area. I didn't grow up in this area but I came here when I was pretty young, right out of university. I think I feel good about Canada as a place to be and I feel good about it from my own family coming up. I think there are going to be opportunities for them as long as they stick to what I consider some pretty fundamental things and that is, do the best you can at what you set out to do, be straight with people, if you've got a problem hit it head on, and if you make a mistake say so, don't try and bury it because then. . . you know, don't be a pushover. There's times in life where you have to be tough but be square in your business dealings, develop. . . I think it was important to me to develop. . . and you can't always do this because some people, regardless of how fair you try to be, use that as an excuse to take advantage of you. But by and large, I think it's important to do things in a way that when you look back, you feel reasonably good about doing that. So I guess what I'm saying, it's been a good country and a good area for me to have developed a business and raised a family. I feel good about in the broad sense as it unfolds in the future. I think there's some things that we could change and do better but in a big, diversified country like ours, I suppose that's always going to be the case. So Canada's been a great place to be.

SB: Well, I'd like to thank you for giving the interview, it's been very interesting.

HH: I enjoyed it.

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April 1984

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