

PETROLEUM INDUSTRY ORAL HISTORY PROJECT
TRANSCRIPT

INTERVIEWEE: Paul Marshall

INTERVIEWER: Nadine Mackenzie

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NM: This is Nadine Mackenzie speaking. Today is Monday, the 7th of May, 1984. I am interviewing Mr. Paul Marshall. Mr. Marshall thank you very much for having accepted to participate in our project. Can you tell me, when and where were you born?

PM: I was born in Toronto, in September 1923.

NM: What did your parents do?

PM: My father was in the Air Force and my mother was a housewife, I guess you'd say.

NM: Where were you educated?

PM: I was educated in Montreal, graduating in law from McGill University in 1949.

NM: Why did you choose law?

PM: I felt it was a good background for business, general background for business. It would have been either law or business administration I guess in those days.

NM: And then you end up in the oil patch.

PM: Well, I ended up in the oil patch a long time later. I spent 3 years with Sun Life in their legal department and then went to Ottawa as Executive Assistant to the Minister of National Defence for a couple of years and then spent 15 years with ??? Corporation, in various places in Canada, Montreal, Vancouver. And got a little bored, I suppose I got to be Chairman of the Board too early so I got bored with life and decided to start all over again in the oil business, which is very different from the business I was involved in, a very different philosophy of investment.

NM: Did you have contact with the oil people at the time?

PM: Not very much, no. It was through a friend of mine that I was put in touch with an oil company in Denver that wanted someone to run their public companies and in return for that were prepared to expose me to the oil business. So it worked out very well for me, I hope for them too.

NM: So what were you doing for them?

PM: I was a Vice-President, Corporate Relations. I sort of ran herd on the one public company they had at the present time, which had gone public quite recently before I arrived and we were preparing to launch a new public company. So that was my main area of responsibility.

#025 NM: And after that, what did you do, did you stay with them for a long time?

PM: I stayed with them for 3 years before moving back to Canada. They were a medium sized exploration and development company that managed to give me a pretty broad exposure to oil and gas in North America and really internationally as well. We were in the North Sea and up on the North Slope and the Gulf of Mexico, in Canada and the United States

and a few foreign countries as well.

NM: So that was a very good training ground.

PM: Well, I hope it was. That's why I chose it.

NM: And then you came back to Canada.

PM: I came back to Canada to head up a company called Canadian Hydrocarbons, which I did for 5 years and it was taken over by another company and I then came to the Brascan organization and headed up Brascan Resources, which then merged with Western Mines and became Westmin Resources and that's where I am to date.

NM: Can we talk about Brascan, was it a big company?

PM: Brascan was a very large company, it was the old Brazilian Traction Company, which had started most of the public utilities in Brazil. These of course, were being sold off one by one to the Brazilian government, the telephone company, the streetcar company and laterally, the electric light company. They had started investing more broadly in Canada during that time, to put the money to work on home turf and now of course, Brascan has been taken over by the Edper??? Group and they are very large. They are in 3 fields, natural resources, consumer products and financial services. The natural resources are handled through Brascade Resources, which has the controlling position in Noranda Mines and also in Westmin Resources. Then in their consumer products they have large position in Labatt's and also in Scott Paper in the U.S. And in the financial services they have the controlling position in Royal Trustco, London Life, and . . .

NM: So a bit of everything.

PM: Well, they try to keep the three specialized fields but they are rather diversified, yes.

NM: Who was in charge of Brascan when you came to work for them?

PM: That was Jake Moore. Jake was the Chairman of Brascan and he remained as Chairman until the company was taken over by Edper and still maintains a connection with one of the consumer products or financial services group. But he doesn't involve himself in the natural resource end anymore.

NM: Where is the name Brascan coming from?

PM: Brascan is an abbreviation of Brazil and Canada, which were the two principal areas of investment, Brazilian Traction or later, Brascan itself.

#060 NM: Which year did you come to work for Brascan?

PM: I guess about 1968.

NM: What was your first job with them?

PM: It was President of Brascan Resources, which was the oil and gas arm of Brascan. It also held a 51% interest in Western Mines, which is a mining company located in Vancouver. We later then, did a reverse takeover, we had Western Mines take over Brascan Resources, though Brascan Resources was a fair bit bigger than Western Mines. But by doing it that way we obtained an immediate public company with a dividend record and all the things you like to have when you're . . .

NM: So you were expanding all the time.

PM: That's right.

NM: How long did you stay with. . [tape faded out a little]. . what were the major events when you were working with Brascan?

PM: Well, the major events really had to be, #1, the takeover of Brascan by the Edper Group,

which gave us a whole new direction really. They were dedicated to increasing their position in natural resources. As a part of this or subsequent to it, we did the reverse takeover I mentioned of Brascan Resources by Western Mines, changing the name to Westmin Resources to better identify our fields of endeavour. And this making us a public company enabled us to go to the market and we raised substantial additional equity to the tune of about \$250 million over three separate issues. I have been involved through Brascade and Brascan with the acquisition of the major position in Noranda Mines, which is held about 42, 45% by Brascade Resources, which is a joint venture of Brascan and the ??? in the Quebec Pension Plan. Those are the major ones so far, I don't think we're finished at all.

NM: Mr. Marshall, you were involved with the Blue Sky Special, can we talk about this story?

PM: I think that might be worth talking about a bit because it really was the last, or certainly the last to date, of the great security capers in the oil business in Canada. It took place just prior to the very large Alaskan land sale in September of 1969. There was a known very large oil field in Alaska which had already been discovered and at the sale a great deal of acreage was being put up by the Alaska government. Billions of dollars would be exposed at this sale. The Hamilton Brothers Oil Company of Denver, with whom I worked at the time was drilling a very key well north of a known major fault. There was no other well being drilled north of that fault. What this well would tell us was whether that major oil field extended beyond that fault into a number of leases that had been put up for bid that were in the very shallow water off the North Slope of Alaska. They were forming a bidding group, as is customary in large land sales of this sort and this bidding group eventually involved 10 companies. Besides Hamilton Brothers, there was Ashland Oil and Refining, Union Pacific Railroad, Continental Oil Company, Union Carbide Petroleum, Signal Oil and Gas, Heiland Resources, Sun Oil Company, City Service Oil Company and Home Oil Company of Canada. So it was a very broad group of pretty large companies really and it would certainly give us the muscle that we needed to bid against other consortia that would be formed to go into that sale. With this key well, as you probably are aware, this is an industry that's much given to commercial espionage.

#114 NM: Was there a lot of scouting?

PM: Well, there's a lot of scouting on key wells, wherever they are. It's more difficult to scout a well on the North Slope of Alaska because you become rather obvious and it's rather inaccessible. But we did set up very elaborate security measures at the well. To start with we built 2 barbed wire fences around the well. We hired Burns security guards, who brought with them guard dogs to keep unwanted visitors away and the employees were all offered a bonus of \$1,000, which was a fair bit of extra cash in those days.

NM: To keep quiet?

PM: No. To agree to stay there until after the bid meeting was over. We didn't want anybody quitting and going out with information from this very important well until after the bids were in. In return for the \$1,000 bonus, they not only had to agree to stay until after the bid sale but they also had to agree to take a lie detector test.

NM: That's very serious.

PM: Well, the purpose of this was really to try to determine whether or not any spies of other oil companies were on the payroll up there, which is not inconceivable.

NM: That was really detective work.

PM: Well, it was detective work, that's why we had Burns protective agencies guarding the place. There was a great misconception of course, among the employees at the well. A lot of them resisted taking the lie detector test, they thought we were trying to find out if they had a criminal record. And it's astounding the number, the percentage of people that worked on that well that had a criminal record. However we were successful in convincing them that this was not the purpose of the lie detector test. It served only to assure us that they were not in the employ of a competitor. I think one man only, left rather than take the lie detector test and this was all done before there was any really useful information he could take out with him. There was also a complete search of the site for weapons. I guess one of the amusing things that came out of that is that they collected, probably a dozen slingshots. These were, some of them, quite elaborate slingshots. It seemed to me that this was something we didn't need to expropriate but the Burns people said this was the ideal way of getting a message off the well site. They put a message in a capsule and send it over the wire fences. It really went very well from the time we persuaded them and they were certainly, appreciative of the \$1,000 bonus.

#150 NM: How many people were working on the well?

PM: Probably, I'm guessing now but I would say maybe 60. We had a couple of interesting little things that happened up there, one of the guard dogs got pregnant, which brought in an awful lot of ambitious wolves to circle the well at one stage of the game. Also, the scouting that was done up there can't be done by a man on foot of course, and the scouting was done by helicopters. I was at the well on one occasion when 2 helicopters were sitting off the well site about 50 or 100 yards with binoculars trained on the well. What they do is they see how you're doing. When you go for a trip they can tell pretty well how far down you are because they count the strands of pipe, drill pipe, as it comes up. They could also then, if we hit anything, they could possibly see that . . .

NM: Were they circling the well?

PM: No, they sat out there. And while I was there I said to the man in charge of the Burns contingent, can't you do something to get them out of there. He said, that shouldn't be too difficult and he loosed the dogs on them. These fellows were sitting in a bubble, they were perfectly safe but with snarling scratching dogs at your bubble, you take off in quite a hurry, get out of there. I went from there down to New York for a meeting of the senior officers of the companies involved in our group and they asked for the story. I told them and they said, have you any idea who they were and I said, one of them was retained by City Service, so it meant that City Service were scouting their own well at this stage. A little bit embarrassing but good for a laugh. The other portion of our security had to do of course, with the Blue Sky Special. We needed a place that was perfectly secure for the senior technical people of the 10 companies to examine the information available, the seismic and geological information and also for the Chief Officers of these various companies to meet where they would be completely isolated until it was time for the bids. I guess leaks come as often from senior officers of companies as they do from geologists or geophysicists. But anyway, I phoned Don Purvis, who was the Vice-President, Mountain Region, of the CNR in Edmonton, who was an old friend of mine from Ottawa days and told him I wanted to rent this very elaborate train with observation cars, bar cars,

dining cars, sleeping cars, the whole works. Fortunately the timing was good, it came just after the Labour Day holiday, so there was equipment available. I told him that I could not tell him what it was all about, he would have to take my word for it but it was thoroughly legal. Having been an old friend he told me that he would have to know. So Don Purvis was the only one that knew what was going on inside that train. The price was in the vicinity of \$10,000 a day, as reported later by the newspapers and we lined up CNR security guards. The newspapers later stated that these guards were all armed. .

#197 NM: Was it true?

PM: I don't think so. If you've ever seen a CNR security guard or a CPR security guard you'd know that he has no need of arms. They are absolutely huge and they would be very intimidating if you crossed them. The arrangements on the train were very elaborate, it was scanned every day several times for bugs, to see if people might have managed to place a receiving device on the train. The garbage was searched by hand by Burns security people before it was allowed to be taken off the train. No one was allowed on and off the train except for Fred Hamilton, and Al Rubets???, who was another Vice-President of Hamilton Brothers, who remained on the train in charge of administrative arrangements if you will, on board, while I remained outside the train in charge of administrative facilities outside.

NM: And the train was going between Calgary, Edmonton and back or was it stopping on its way?

PM: No. It did stop once or twice but for reasons I don't remember, but primarily it travelled from Calgary to Edmonton and then would stop sometime there before turning around and coming back to Calgary. And of course, they'd take on supplies and let off garbage at each end of the line but they were completely surrounded by CNR security guards at each stop. There were also guards on the train of course. The interesting thing was, we described the location of the bid meeting as being Site X. When the original technical people arrived, geologists, geophysicists and the like, they arrived with tennis rackets, golf clubs, fishing gear, they thought they'd naturally be going to Jasper or Banff or some such place. Owen Atkins, the President of Ashland, I met him at the airport at Calgary, he'd been to Africa, back to the Netherlands and straight over here and he was absolutely exhausted. And when I drove him down he said, my god, we're not getting on a train, I have never been able to relax on a train, how far are we going before we get to Site X. I said, I hate to tell you this Owen and he said, my god, that isn't Site X and I said, it is, for the next few days, you're going to be on the train. I guess we should have expected the press to get hold of the story pretty quickly because we were using a virtually unused track between Edmonton and Calgary. And to have this very fancy train going back and forth, it doesn't take long for the story to get out.

#239 NM: Who gave the information to the media?

PM: I don't know, it could have been that they spotted the train. Obviously secrecy surrounded the train. There was some rumour that someone leaked it in the CNR, that there was such a train, a mystery train but there's never been any evidence of that. I would think that it was pretty obvious there was something going on to have this. . .

NM: And the media went wild.

PM: They had a ball with it. There were stories, the Canadian Institute of Chartered Accountants were having a meeting in Banff or Jasper, I think it was Jasper, and one story was that they were going to take all their members up and they were going to stage a mock train hold-up. They of course, denied the story. There was another one that Howard Hughes was on board and that he was going to buy Alberta.

NM: Or Liz Taylor too, I heard that, that Liz Taylor was aboard.

PM: Yes. Chrysler was said to have hired a train to show their new models to a restricted group. There were stories that there was a meeting there to select the successor of Ho Chi Min of North Korea. The story got a lot of coverage, well, really in all the western newspapers I would say and particularly when they would spot red jackets on board the train, which they thought were RCMP. They were actually the CNR waiters who were waiting on tables or in the bar cars. In the meantime, while the train is chugging away back and forth and the reporters are having a field day, we had private jets located, from the various companies in our group, located at Edmonton and Calgary airport and also up at Fairbanks. So that information, as it came from this key well, could be put on a plane at Fairbanks and flown to wherever the train was going to be when they arrived. And at the same time the plane from that airport would take off and go back and replace it at Fairbanks. So it was quite a shuttle we had going. There was another procedure for times when the weather at the well was particularly bad, and we would have planes circling the well then to pick up the information in coded messages. Coded messages, interestingly enough, were shopping lists. They'd be asking for so much black strap molasses and so many bags of corn meal.

#280 NM: That's a good idea.

PM: Well, then we had to change the list of course, every day or two, as soon as the weather cleared. But the information did get out. When it got down to the crucial point we even gave up the codes and we just circled and gave the information direct and flew it down to Anchorage and phoned it down to Calgary. But it was all leading to the final log of that well. That information, it we received it on time, would give our group a very definite leg up in bidding on those blocks north of the fault. I guess the most amusing part of the whole thing was close to a real fiasco at the end. We had a Vice-President of Hamilton Brothers sitting the well, which is rather high priced help for a well sitter in that day or indeed in this day. But when he got the final log he came down and got on the plane at Fairbanks and flew down to Calgary, arrived at the private end of our airport, there was nobody there to meet him. He felt very important at the time that he had the most crucial information in Canada. So he hopped on to a Gulf Oil truck and got a lift around to the commercial terminal, still nobody there to meet him. So he took a cab into the Calgary Inn to meet me and then forgot the log in the cab. Fortunately when he rushed out the cab was at the end of the line waiting for customers and he got it back. But the information was exactly what we needed for those bids. The well was a success, it was a discovery, it flowed oil. And on the train we had the bankers to sign the cheques that must go in with the bids. Each company, before they came aboard the train, had their banking arrangements lined up and their banking arrangements were conveyed to the one bank in Dallas, the Republic National Bank of Dallas, who had their representatives aboard, so that they could write the cheques, they could sign the cheques on board the train. Each

officer was completely empowered by his company, to commit his company. When it came time to submit our bids in Anchorage, 2 separate corporate jets took off from Calgary with a number of the people who wanted to go up and attend the bid meeting and each plane carried a separate set of the bid papers and a separate cheque. So everything was duplicated in case one plane went down. I guess the answer to the whole thing is that this group, and portions of the group picked up 10 leases and spent over \$70 million.

NM: This is the end of the tape.

Side 2

#023 NM: How much was the final cheque for?

PM: Well, there were a number of cheques, you put a cheque in with each bid on a separate lease. I don't remember the total amount that we exposed, that we bid on the thing but I know that on the bids that were successful, where we were the top bidder on the leases, we acquired 10 leases and spent something over \$70 million.

NM: How many days did you spend on the train?

PM: I didn't spend any, I had the best job of the bunch. I had a room at the Calgary Inn.

NM: ???

PM: No, I went on from time to time when they were here in Calgary, just to take messages and that sort of thing but no, I didn't travel. . .

NM: They were stuck on the train, you were ???.

PM: That's right. With room service.

NM: And how many days did the people spend on the train?

PM: They spent about 5 or 6 days.

NM: It was a long time.

PM: It's a long time.

NM: Especially debating, talking all day long. . .

PM: Well, I guess the thing that did the most to keep them happy, or keep morale up a bit was to bring them newspapers showing what all the speculation was, on board.

NM: It must have been amusing for them.

PM: They enjoyed that. But I'm sure they were very happy to get off the train too.

NM: And this is the end of the story of the Blue Sky.

PM: That's the end of the story of the Blue Sky Special.

NM: Well, thank you very much Mr. Marshall, for this very interesting story.

PM: It's a pleasure.