

PETROLEUM INDUSTRY ORAL HISTORY PROJECT  
TRANSCRIPT

INTERVIEWEE: Kelly Gibson

INTERVIEWER: Susan Birley

DATE: November 1984

SB: It's November 1<sup>st</sup>, 1984 and this is Susan Birley, interviewing Kelly Gibson at his home in Calgary. Mr. Gibson, I wonder if first of all you could just tell us when and where you were born and raised and a little bit about your early background.

KG: Yes, well, I was born on March 19, 1912 in Broken Arrow, Oklahoma. I was educated at the public school there and at the start of high school in the 9<sup>th</sup> grade, I went off to Oklahoma Military Academy, a junior college and took four years of high school and two years of college. I stayed there until I finished that school. I went from there, I went down to Oklahoma A&M College, it was an Agricultural and Mechanical College and I stayed for another year or so. I had three years of college and then I left school to get married. I got married in 1934.

SB: You mentioned that your wife was related to . . .

KG: My wife's family is related to Roy Rogers' family and my wife's brother and Roy Rogers are cousins, that's the background on that. It seemed when I was dating my wife, before we were married, he was always coming to their home, I'd be there, invited for dinner and I had lots of conversations with him. But he's just an ordinary man around town now, when he did come to town everybody treated him just like one of the home town people you know.

#025 SB: So when you were going to university, what were you studying?

KG: I was trying to get what I required to get into law school. In those days, you had to take three years of arts and sciences before you could get into a law school. I was just going to try and go to Oklahoma University to get my law degree but it was during Depression time, you know, the 1930's, so I never got to go. Instead I quit and we married, which is probably better for me than going on to school.

SB: What was the major occupation of people around Broken Arrow, was it farming mostly?

KG: It was a farming community, but there was lots of oil and gas exploration work, very shallow, 600, 800, 900' production of oil and gas. So when I was a kid I used to work on the drilling machines. Because all us boys, in those days, all you could do in the summertime was chop cotton or milk cows or work in the oil field. So most of us as I was growing up, worked in the oil field. That's my first taste of the oil business. None of my family had ever been in the oil business, so I was the first one to kind of break away.

SB: It was also probably better pay than picking cotton or milking cows was it?

KG: Oh, I don't know about the pay, I can't remember that, but I imagine it was about the same. Just a few cents an hour, whatever it was. During that time, lots of people worked

for a whole month for \$1/day.

SB: I guess in those cases they were glad to get a job?

KG: Oh sure, anything at all.

SB: So your first work in the oil field then, were you a tool pusher or what was your. . .?

KG: Oh no, I was a tool dresser is what they called them. It was a cable tool outfit. The rigs that we were working on were small, what they called, cable tool sputters and they only had two people, the driller and the tool dresser. The tool dresser was usually just some kid he picked up, like myself.

#051 SB: How long would it take them to drill one of those wells?

KG: It would take about 3 or 4 weeks to a month.

SB: And it was with the old cable tool then?

KG: The old cable tool, yes.

SB: So you must have gained a lot of knowledge of how the equipment and how the . . .?

KG: You learned a lot about the mechanical part of keeping the thing going, keeping it running, repairing all parts of it and you learned the background of the business that way.

SB: Did you ever have any trouble with blow outs in that field, or was there that much problem with it.

KG: No, there wasn't a problem there. Pressures were very low because it was so shallow. They didn't have the high pressures.

SB: So how long did you . . . you worked at that until you got married . . .?

KG: I worked at that just when I was a young boy, going to school and the summertime and the like. Then as I say, when I quit college to get married, I didn't have a job so I had to go back and try to find a job. Then I was able to get on with the Gulf Oil Company, 1934, right after we were married.

SB: And what were you doing with them?

KG: I was what they called a roustabout, which was just doing field work, digging ditch and laying pipeline and doing construction work around the wells. Pulling rods and ??? to make them pump right. That's where I really got to know something about the oil business.

SB: Was Gulf one of the major operators then?

KG: Gulf was a major operator out of Tulsa, Oklahoma.

SB: So they would have had quite a few rigs operating. . .

KG: Well, they hired contractors to do their drilling for them. I didn't work on rigs at that time, I worked in the field, doing field work, what you would call production work. Putting the wells on production and making them pump and produce the product.

#073 SB: Has that part of the industry changed very much, from what it is today?

KG: It's pretty similar now.

SB: I guess just some of the equipment is. . .

KG: Yes, the technology has improved a lot. It's all been improved.

SB: So you started out as a roustabout then, and you carried on progressing I guess?

KG: From there I got to be . . .because they learned I could run a typewriter and do

administration work, they put me in the office for about three years. Then I got the background of what happens in the office with the company, which was very good experience. Then they took me out of the office and made me a gang pusher, a field foreman. So I did supervisory work of the other men that were doing the work in the field. I did that for a number of years, about 4 or 5 years, then the war broke out and in '42 I went to the Army and stayed for five or six years. Then when I came home, it was about 1947 or something like that. And in 1949 I was what they called a Production Foreman for the state of Michigan for Gulf. They finally decided they needed some help in Canada, so they sent me up to Canada in July of 1949 as a Production Foreman, to look after drilling wells and look after production work. Then I was doing drilling supervisory work and production supervisory work and administrative work, the whole thing.

#094 SB: You were working in Calgary then, when you came to Canada?

KG: No, when I came to Canada, I went to Edmonton, to do some work at Redwater. Gulf had some wells drilling there. I took over the company supervision of the drilling wells there. In the later part of '49 I went to this place called Stettler, Alberta. I stayed there 7 years. I was the superintendent of all the operations there for Gulf. We had lots of drilling wells working all the time, sometimes as many as 35 drilling wells. The crew that I had supervised the company's work on that. We installed all the production equipment, laid pipelines that produced and sold the product, the oil and the gas.

SB: Was there a very large office in Edmonton when you came?

KG: No, just very small.

SB: How many other people would be in there?

KG: They had the superintendent of that area and he had 2 or 3 foreman and I was one of them. He had engineers and geologists and geophysicists and administrative people.

SB: Do you remember Bob Lockwood, was he. . .?

KG: Bob, I knew Bob even when I worked in Kansas. When I was helping supervise rigs in Kansas, Bob was the well site geologist there. Oh yes, I knew Bob real well.

SB: So he transferred up to Canada. . .

KG: By the time I got here, he was already here and he had been here for some time. He was in charge of all the geology for western Canada for Gulf at that time.

SB: Was Stettler one of their major fields for Gulf?

KG: Yes.

SB: It was a major producer for them?

KG: It was a major producer but they had one other, what we called district office, one in Pincher Creek and one in Stettler and one in Edmonton.

SB: So at that time were they starting building the Pincher Creek gas plant?

KG: They were drawing the wells for the plant and built the plant during that time, yes. That would be '49, '50, '51 and '52, along in there.

SB: Did you find very much difference coming from the States in to Canada, with the type of operations going on here.

KG: They were about the same. Except that being up here, so far away from the base of things, you didn't have as much to work with. You couldn't get supplies and equipment too

good, but the procedures for doing the work were essentially the same.

- #124 SB: So there weren't. . . if you wanted to get supplies, especially I guess, if a field was coming in, it would have taken a lot more work to get equipment?
- KG: All the major supply companies, like National Supply and J&L, Jones and ???, all those companies were already here. They would get the stuff in, but they just couldn't get it up here quick enough. So the operations were, not really slowed down, but they weren't as fast as they would be. We were closer to supplies.
- SB: Did Gulf depend on National Supply and other suppliers as well or did they have any of their own suppliers?
- KG: The supplies that we needed in the field, we bought from the supply companies.
- SB: So at Stettler, you stayed there quite a few years, I guess you must have seen the community change a lot as a result of the oil coming in.
- KG: The Stettler community, I think it was about 1,200 people when we arrived there and when we left it was about 4,500. It never grew too much after that. I think now it's still about 5,000. But it did grow during the time we were there, yes.
- SB: How about the availability of trained men? Was it that easy to get people to work?
- KG: You could get them to work. The kind of work we were doing was just farm boys off the farm, all good, almost without exception they were all good. Hard working, honest, you know. But they didn't have any experience. Part of the job was to organize and teach them how to do the job.
- SB: But once they caught on, they were. . . ?
- KG: They were very good. The Canadian boys have done well in the oil industry in the world. Lots of Canadians have gone all over the world working on rigs and production work. Learned right in Canada and Alberta. The rigs that drilled the first wells at Prudhoe Bay in Alaska and through there were Canadian rigs with Canadian people on them. So they've built a very good, outstanding record.
- #152 SB: Do you know anything about how Gulf got their acreage, did they farm it out from anyone or. . . ?
- KG: At that time, Gulf had a deal with Canadian Pacific and they had rights on the Canadian Pacific land. And then of course, they bought land from the province, Crown land, and then later you know, Canadian Pacific decided not to lease them land anymore and formed Canadian Pacific Oil and Gas Company. But that's the way Gulf got started was with Canadian Pacific land and Crown land.
- SB: Do you remember any of the other people that worked with you in Stettler, with Gulf or in the Stettler office?
- KG: There were lots of people. They used the Stettler office as a training ground for engineers and geologists that came with the company. They'd come and work there for a few months or a year or so, then they'd come back in to the city office.
- SB: I've heard that there was a lot of trouble when a major company would train geologist or engineers, a lot of the smaller companies would pirate them away from you because they didn't have the same thing?

- KG: It was easy to get jobs if you had experience because nobody much had experience and lots of people did come and work for awhile. For all companies, not just Gulf, but Imperial and other companies had the same problem. But that's just part of the business.
- SB: I guess you make sure that you have enough people on the go so that you're not going to have a shortage.
- KG: The same thing happened with my career. When I came to Calgary in 1956, I was offered a job by several people, but I wasn't interested in a job, because I had been with Gulf at that time for about 22 or 3 years. That was home to me. But Mr. Frank McMahon came to me and talked me into leaving Gulf and going with Pacific. That's how I went with them. This is part of what you're talking about. People were looking for experienced people so opportunities were available to them.
- #182 SB: And I guess when Pacific approached you, they were able to offer you more money and a better position and everything like that?
- KG: Well, they did. They tried to offer you something to get you to come with them of course. But the major companies never were too upset about it, because they always talked it over with them. Like, I wouldn't leave Gulf until I went to them and told them I had been offered this job and they knew all about it before I left. They were sorry to see me leave, they were treating me very well, but they could understand that I had a better opportunity perhaps. And the way it worked out it was good for me, but you never know how those things will work out.
- SB: I guess there were a lot of companies, small companies starting up in the 50's and some of them didn't make it past. . as soon as the first small recession came they got wiped out.
- KG: That's right. But by the time I went to work for Pacific it had been running for a number of years and it wasn't a big company but it had enough resources to keep moving through.
- SB: Did you know Mr. McMahon before he came and offered you the job?
- KG: Yes, I had met him in a business meeting and socially and things like that. But we weren't good friends. We became very good friends in later years, but not when I went to work for them. He just happened to have a need. A man he'd had for many years was getting to a good age and he wanted to quit so he retired and Mr. McMahon, Frank was just looking for someone to fill his spot.
- SB: So when you left Stettler, did you leave Gulf at that time, or had you moved to Calgary before?
- KG: When British American and Gulf Oil merged, they moved me to Calgary to be in charge of drilling production of this part of western Canada. And then when Mr. McMahon came, he offered me the job of Vice-President of Drilling and Production at a better salary than I was obtaining from Gulf so we just thought it over and made the move.
- SB: Would Gulf have any kind of strategy in its exploration during the 50's or. . .?
- KG: Any what?
- SB: Was it looking for. . did it have any kind of policy on exploration and development?
- KG: I think just about like the other companies. They would acquire land and they would go out and do surface geology and exploration work, seismic work I mean. And then they would decide whether they should drill a well. Then we would go make the location of

the rig and drill the well. That's what all the companies were doing, large and small.

#222 SB: Yes. And I guess after Leduc they were all looking for reef type formations, were they?

KG: At that time, yes.

SB: So when you joined Pacific, I guess you knew a little bit about Pacific before you moved, had you done any research on them?

KG: Oh yes. When they came to me, we negotiated for about 2 or 3 months and during that time I checked everything I could about whether I should go there or not. And they had promoted. . . Pacific had been the promoter of West Coast Transmission Company and they built the plant at Fort St. John, it was just ready to go on stream with their gas production when I joined them. They had drilled the wells but they had never produced any gas or anything. So they were looking for someone who had some production experience as well.

SB: So were you involved in negotiating for the gas. . . you know, were there any negotiations at that stage when you started?

KG: That had all been done by the time I arrived. I went in about November of '57 to Pacific and that's about the time, about a week or two after that they started the plant at Fort St. John. So the gas sales contracts had all been done by ??? and McMahon and those people in the company. Charles Hetherington and that group had done all the ground work, of building the plant and getting wells drilled, negotiating contracts and getting it sold. So I really came along to do the operational work.

SB: So they had been involved in the promotion of the company, getting the funding and getting all the things in place and then you came along to manage the business side of it.

KG: Just had to do operations at that time, but no, I didn't do any of the promotion work. That was all behind them then. All the court cases and all the hearings had all been happened.

#255 SB: So I guess that was more of a turbulent period for Pacific. That had happened before you came, so by the time you came along things were running fairly smoothly.

KG: They were moving to a phase of promotion and putting together, to a phase of operation, making it work now that it was there.

SB: So what was your major activity in the first year or so that you were there, you would be going and putting West Coast Pipeline on production, but how would you . . . were you trying to tie it in to other systems or anything like that?

KG: My job was to take the wells and get them where they would produce and supply the gas to the plant and then they would supply their customers from there.

SB: So you must have spent some time out in the field then?

KG: When I first went to Pacific, although I lived in Calgary, I was out all the time. I mean every week I was out someplace.

SB: Mostly up in northeastern B.C.

KG: Yes, that's where the work was going on.

SB: So that must have been another boom town going on there.

KG: Oh, Fort St. John was at that time.

SB: So was there much trouble getting any of the gas wells on production? Were they mostly easy to work with?

KG: I'd say it was pretty straight forward.

SB: Had you attended these ceremonies when they put the gas on. . hooked the gas up to the plant and the pipeline.

KG: You mean the opening of the plant, no. I wasn't invited to those. I wasn't a member of the company at that time, I joined the company right after that.

SB: I guess they had an office then at that time.

KG: They did yes.

#286 SB: Were there many people employed up there?

KG: There were a lot of people there. We thought there were too many people for the operation that they had, so we had to go through a staff cutting operation that was kind of distasteful but necessary.

SB: Had most of the people been transferred from Calgary or Edmonton that were up there?

KG: They had been transferred. Employees here had moved to Fort St. John and we had to move them back and kind of start over again.

SB: Had they built the housing for their staff at that time.

KG: By the time I got there, yes. All the houses around the office up north of town there, you've seen, those were all in place.

SB: Was that a normal thing for a company to do at that time, to build housing for employees?

KG: Well, it was a necessary thing because they were moving up there where there were no facilities to hand their employees. So they built the houses and they rented them to the employees and paid them out that way. It worked out very good. It was a good thing for the company and it was a good thing for the employees. It gave them a decent good place to live.

SB: I guess it was sort of an incentive to moving up to the north as well, because not that many people would want to live that far north?

KG: Well, at that time they were paying what they called a northern allowance, a few dollars a month extra on your pay, depending on what your position was, it would be \$25-\$50 a month extra for moving up north.

SB: So I guess a lot of the people that they brought up there that were excessive, were they involved in a different stage of the program where they needed more people and then in the stage that you were involved in, it was just more or less a maintenance. . you only needed people for maintenance, was that the. . . ?

KG: Well, that was part of it.

#321 SB: I guess the other people that were working with you, one person was Merrill Rasmussen???

KG: He was still with Gulf at that time. When I left Gulf, the job I was doing, Merrill got it and took care of that. Then after I was promoted from Vice-President of Production to Executive Vice-President then I had to have someone as Production Vice-President in our

company at Pacific. So I went back to Gulf and asked if I could talk to Merrill and then I talked to Merrill and asked him to come to Pacific. So he followed me there. Every time I made a move in Pacific, Merrill followed right along behind me. He was a very good man, Mr. Rasmussen.

SB: You must have had a lot of confidence in his ability?

KG: I sure did. In fact, what little success I had, if he hadn't been with me I never would have had any. Because I depended that much on him, his ideas and his brains.

End of tape.

Tape 1 Side 2

#020 SB: You started out more or less changing the Production Department to make it more efficient and then after that your position or your responsibilities were. . .

KG: It would be best to say, that they were a smaller company and they were trying to grow at that time and I had always worked for a larger company and we tried to change the production and drilling operations to suit what we used to do in a company the size of Gulf or Imperial and Texaco and those companies. So yes, we were making changes to the organizing of the department and do the budgeting that you needed to do and planning ahead that we didn't have before. Like every small company, when they first started they just had to operate the best they can with what they have to work with. As money starts coming in, you have more to work with, you have to organize different. So that was what we were trying to do.

SB: I guess in some ways, when all the money had come in they had expanded without really planning their expansion.

KG: I wouldn't say that they didn't plan it, maybe it didn't work out like they planned. Of course, things were changing all the time. But I give the McMahan's and the people that were working there then, Charles Hetherington and those people, a lot of credit because, they started and they had done a very good job to that point.

SB: It seems like Pacific caught the imagination of the public, you know, it was a very high profile company.

KG: About that time, yes.

SB: So after awhile I guess, you acquired Merrill Petroleums, or they had just acquired Merrill Petroleums.

KG: No, we bought Merrill Petroleums after I went there, yes.

#039 SB: And what was the history of that company, who was it started out by?

KG: Merrill Petroleums, it was started out with Eldon Tanner??? and his son-in-law, Cliff Walker. They just got some land in Pembina and around and drilled a number of wells and established some production. We needed more revenue, so we needed more production, so Mr. McMahan made a deal with Mr. Tanner to give them Pacific shares

for the shares of Merrill Petroleum. We brought Merrill into our company, which gave us a better base.

SB: I guess they were a fairly good operation. Did you just take over the entire operation with its staff or did you leave the staff behind?

KG: No, we took the whole operation right into Pacific. Not too many of the staff stayed with us. We really didn't need them so they just moved along.

SB: I guess shortly afterward, you were offered the position of Executive Vice-President to manage the entire company, what year would that have been?

KG: That would have been 1959.

SB: So you made a fairly rapid promotion in the company?

KG: Yes.

SB: What was your mandate when you were transferred into that position?

KG: Just to try to do with the whole company what we had been able to accomplish with the Production Department. Just get it more efficient and more organized, so it could take care of itself and make some money, department by department you see.

SB: How many departments did they have at that time?

KG: There was Accounting and Finance Department, Exploration Department, Production Department and they had a Sales Department because when they built the plant, we had some product that we had to sell. So they got the petroleum company to go with them to do some service station things so we could sell gasoline and oil through our stations. So we had a department for that and then we had one we called the Manufacturing Department, which looked after the operation of the plant and the employees that did that.

#067 SB: And that was all operated from the Calgary office?

KG: All the Department Heads were in Calgary. And of course, with the production we had the Land Department and several people in it.

SB: So do you remember some of the people that were . . . well, Scotty Tosh, was he with the company at that time?

KG: No, Scotty was leaving as I came, that's how got me to come is I came to replace Scotty when he retired from the company. Lyle Casper???, he had been there, he had retired, left the company also, so that left McMahan's without good men like Lyle and Scotty, so they need somebody to come in and fill that position. That's what caused their need for someone like myself.

SB: Pat Boucher???, he'd been with them for awhile I guess.

KG: Pat had been with them from the start. He was running the Administration and Finance group.

SB: And Len Yule???, was he with them.

KG: Len was the secretary of the company at that point.

SB: And I guess Charles Hetherington was still with them, was he. . . .?

KG: He was with both Pacific Petroleums and West Coast Transmission. He was Senior Vice-President of both companies.

SB: The Excel Refinery at Dawson Creek, that was the . . . .

KG: They had bought that, yes. When they built the ??? and ??? plants, and when they bought

Excel, that's when they went into the service station business.

SB: Who had started up Excel, do you remember?

KG: No, I don't know where it came from.

SB: But they started. . what was it called, I'm just trying to remember the name of the. . oh, the service stations, did they call them Pacific 66 service stations at that time?

KG: Yes, we did. Because we got Phillips Petroleum Company in the States to join with us to build them and they operated down there as Phillips 66, so we took their shield, their advertising shield, took the word Phillips out and put the word Pacific in. That's how we started our service stations.

SB: Do you know what the 66 stood for, was there any significance in that?

KG: Oh, there's a lot of back ground on that from the Phillips Petroleum history. I think it started from the United States highway that goes from coast to coast, from Chicago right over to Los Angeles, it's called Highway 66. It goes by Oklahoma and I think when they started the company they got that at it's slogan, to drive on 66 with their products.

SB: So they set up stations all the way along the whole route.

KG: Oh yes.

#102 SB: And I guess with Excel it wasn't. . it didn't turn out to be a successful operation?

KG: It wasn't, no. It was too small. What we did with Excel, finally we moved most of it up to ???, put it in with the gasoline plant.

SB: I guess there was a lot of competition from the larger oil companies as well, who could afford to have some smaller revenue in some areas than others, whereas you had service stations in that area.

KG: When we first started, we started right there of course, because that's where our product was that we were trying to sell. Then we moved over into the province of Alberta, there's quite a number of stations in the province of British Columbia, we went back east as far as Thunder Bay, so we built up quite a number of stations.

SB: I guess you were the only smaller, say, independent company that had its own marketing and refining end at that time, is that right.

KG: Yes, we were the only one that had our own products. There were lots of smaller companies in the east but they had to buy product, from either Imperial or Gulf. Then just buy and use that in competition against them. We had our own product . . .we would trade product. They needed product up there. We gave Shell and Imperial and Gulf product and then we picked up product from them some place else so it was a trade off. So it worked good for all companies.

SB: When you took over the operation for the whole company, did you have any reluctance to do that, or were you fairly willing to go into the new position?

KG: I felt very inadequate because a lot of the departments I really had not been trained in. So Mr. McMahon insisted that I do it. He helped me every way I could, he was familiar with what we were trying to do. He took me to New York and introduced me to all the financial people. I went to school down there some too.

#130 SB: I guess at that time there were quite a few shares of Pacific all over the place. Was

that a problem, when you had your annual meetings or things like that.

KG: No, we never had a problem with it, but what had happened was they had done so much financing that shares were pretty much scattered over Canada, less in Canada than any place really, United States and Great Britain and all around. So the McMahan's had reduced their holdings down, I think they only had about 3-5% of the company at that time. Of course, they were nervous that we would have some trouble at the annual meeting but we never did.

SB: Were you able to go around and buy back any of the shares or was there ever any. . .?

KG: At that time companies were not allowed to do that. ??? relaxed legislation we can do that but in those days you couldn't do that.

SB: So what means could you use to get a larger share back, was there any thing that you could do, you know, to sort of regain control over the shares?

KG: What Mr. McMahan finally did was make a deal in Oklahoma with Phillips Petroleum Company and Sunray, to buy their assets in Canada. He bought them by giving them Pacific stock, which let him put more stock out, but in friendly hands. So it ended up when we did that, that Phillips Petroleum Company owned about 30% of Pacific, but they quit operating in Canada. So we got their operations and under Pacific, Sunray, they owned about 10%. So between the two, they had almost 50% of the company but in one location. But they just let us go ahead and operate the company. They just treated it as an investment, they never sent anybody up here to run us.

#156 SB: How did the association with Phillips start?

KG: Through this building the plant in the east.

SB: Had they had production up in that area?

KG: They had an office in Canada, in Calgary and they had an exploration and production operation, so they had drilled some wells and had production. And they were going to expand in Canada so it was just ??? to buy into our company. But we did it in reverse, we bought them instead of them buying us. But we really did merge the companies, is what we did, but we left it as Pacific and Phillips took all their employees back to the States and we changed the top of the company then. Mr. McMahan left the company as Chairman and Mr. George McMahan left as President and they brought a man up from New York to be the President, he was a salesman.

SB: What was his name?

KG: Getgud??? John Getgud. But he never had worked in production or exploration work. So they asked me to stay as Executive Vice-President still and run that side of the business and ??? the product side and the sales side. So after a few years they decided they needed him back in the States, so in 1964 they moved him back to ??? and they had a Board meeting and asked me if I would be President of the company. So I said, well I'd try, so I did right then.

SB: You had a lot of involvement with El Paso, as well, up in northeastern B.C.

KG: West Coast Transmission, El Paso was our largest customer. We gave them gas at the border between Washington state and the B.C. province, so we had lots of dealings with them because we sold them gas. They were our biggest customer.

SB: Do you remember at the time you were with them, did you have any dealing with White and Lloyd or had that all. . . I know they had some acreage up in northeastern B.C., J. B. White and . . . ?

KG: Yes, I know who you mean. They had some business with Sun Oil up there, but no we never. . . I knew them but we never really had any business with them. They were just in exploration and production work.

#190 SB: So when you became President of the company, were there many other changes that the company went through after that or. . . ?

KG: I don't know how to answer that. Of course, the company was changing all the time because it was growing all the time. It changed in administrating side, in that we did a better job. We were able to concentrate on budgeting and financial matters better than we were before. Mostly because we had more assets behind us with Phillips and Merrill and those other companies. We were in a better position to do better financing.

SB: Did you do any exploration work outside of northeastern B.C., was there also work being done in Alberta or. . . ?

KG: Oh yes. Northeastern B.C. was just one section where we were working. We worked in Saskatchewan and we worked in other parts of Alberta, other parts of B.C. We got in a deal, we did some work in drilling, and found some oil too. So we were getting broadened out quite a bit.

SB: Did you go into partnerships with any other companies in Alberta, were there any. . . ?

KG: Oh yes, we did what we called joint venture work around.

SB: Was there any success in the Alberta fields, any discoveries or major production?

KG: As Pacific alone, no, but we were in on lots of deals that were successful. Our production grew quite rapidly during that time.

SB: I guess Redwater was one of your major areas of production was it?

KG: In the early days with Pacific. They had about 3 or 4 sections of land out there that they were able to develop. Of course, it was going down by that time. You know about the Leduc well, the fire and everything. That's a story in itself. Of course, that happened before I joined them too.

SB: I guess you probably heard about it though, where you were, did you?

KG: Oh yes. It got world wide attention of course.

SB: Did you ever run into Boots Adams, did you have much dealing with him directly?

KG: Boots was the head man of Phillips Petroleum. I've got a book on Boots I'll let you see if you want. He and I became good friends. He's the one that said, if he was going to take ??? and get out of Canada that he wanted me to run what was up here. So for years after that, even after we got out of business with them, he would have me doing things for him in Canada. I was kind of Phillips' representative up here for a long time. Unpaid I might say.

#235 SB: At what point did you become involved with West Coast, you were with Pacific up til a certain time and then you . . . ?

KG: 1970. Mr. McMahon wanted to retire from West Coast, so he asked me if I would come

over and be the Chairman and Chief Executive Officer of West Coast and I said, I had enough to do running Pacific. Well he said, we can turn that over to Merrill or somebody. ??? me I can still be the Chairman of Pacific in Calgary and I can be the Chairman of West Coast in Vancouver. So it was 1970 I went over there.

SB: So you were mostly in Vancouver then after that?

KG: After that, yes. I lived here, I never did move from Calgary. But I would go out every Monday morning and come back every Friday. We had a little jet in the company that I used to fly back and forth to other places where I had to be, whatever day that was.

SB: Did you ever notice a difference in the attitude of the B.C. government and the Alberta government towards the petroleum industry?

KG: Oh yes, there's quite a difference. But that's because of the difference in the people, this is a big oil and gas province you know, and B.C. didn't have that much to do with it. But they really did, they worked the same as Alberta.

SB: Well, I guess they realized the revenue they were going to get from it, but. . .?

KG: Oh yes. Mr. McMahon had a good relationship with the B.C. government and Bennett. So after I went over I tried to keep that going as best I could. Right after I got there they had a change of government, the NDP came in you know. Then I became friendly with the Premier of the NDP.

SB: Did they have much of a different attitude towards oil and gas?

KG: Oh yes, they did.

SB: What was their . . .how did that affect. . .?

KG: Well, what they wanted to do was get more revenue all the time, so we worked with them to show them how they could do that, at the same time helping West Coast. So what we did, we worked together, changed, where the province would buy the gas for the producer and then we would transport it for them, then we would sell it for them down in the States and in Canada. So it worked out well for them and it worked out well for us. Then after the NDP went out, the Social Credit got back in, in B.C., they went right on with the same thing that we were doing with the NDP. So it worked out to be a good arrangement.

#285 SB: So you were also involved with the Foothills Pipeline, could you explain how that came about?

KG: Well, when they were trying to get the Arctic gas going you know, the boys down east at Imperial and Trans Canada and that group were always trying to get us to join them in that project, but we never did, but Bob Blair did with Alberta Gas Trunk. He was very unhappy and didn't like what was going on there, so he and I got together and decided that we would start a project of our own in competition with the Gas Arctic Pipeline group. So we did and ??? and we finally won the right to build a pipeline. But what happened was, we decided we'd take our two companies, with their assets and the experience that we had and form Foothills Pipeline. So Bob was much younger and more aggressive than I am, and he would be the President and Chief Executive Officer and I would be the Chairman of the Board. He would do all the travelling and speak for the company and I would do all I could in Ottawa and other places to promote the deal. So we made a pretty good team I think. Bob is a very aggressive fellow, very smart, so we

had a good company there.

SB: Who would you meet with when you went to Ottawa?

KG: Oh, we met with all the MP's and all the Department Heads and occasionally the Prime Minister, but mostly the Minister of Finance and the Minister of Energy, those people. But at that time I was on the advisory board to the Minister of Energy, so of course, I knew all those people real well. And of course, Mr. Blair knew them very well too. So we'd just go down and stay for a week or two at a time and visit around to explain our project and try to get their support.

SB: So what were the basic differences between your proposal and Trans Canada's?

KG: Oh that's a long story.

End of tape.

Tape 2 Side 1

SB: This is November 7<sup>th</sup>, I think, 1984, and I thought we'd start today looking at your early years at Pacific, you joined them in 1957. You brought over a lot of experience with you. Were there any areas that you were able to help Pacific out, new ideas that you had that changed their operations?

KG: I think perhaps, the main thing, my experience had been in production and drilling, and administration of the production department, more in the order of the way that a major company would operate. When I came to Pacific the filing of the reports and the administration of the department was kind of at odds with mine because it was way below standard, so we tried to revise it where we had proper budgets and we had administration dealings with the government working. All the way the reports that we had to file were brought into order and I think that was a benefit to the company.

SB: So you'd establish a budget and then they would go out and raise funds for it?

KG: That's right. We would generally tell people what we would need for the company and then they would provide the money and we would try to spend it efficiently and conservatively.

#020 SB: I guess when you first joined them, they were in a kind of lost position, they weren't really making that much of a profit.

KG: They never had made a profit in the company to that time. They had, not a very good, but a cash flow, they did have money coming in, but every year they always had to borrow more money to keep operating.

SB: I guess that was natural in a way. . . ?

KG: About that time, most of the companies were going through that process of not generating enough money to run their own operations. But it was in the very early days then.

SB: And so when you came in you saw what they had to do to make more profits I guess?

KG: We had to lower our operating expenses as much as we could. We did something then

that they do now with companies that are trying to make a profit when they hadn't made a profit before.

SB: You had to try to whittle down their expenses, I read somewhere that you would check every invoice and sign every cheque in the first little while.

KG: Well, we did. That was just an idea of my own so that I would get to know what was going on and what the money was being spent for. I had to go ??? and see where we had too many or not enough people, a lot of duplication of services that I had to cut back on. It was kind of a hard job because it put me in the position of being the new man in the company and causing lots of people to lose their employment.

SB: I guess it was also a change in the approach of the company. Before it was concentrating of getting investors to invest money, it was more of a promotional operation and when you came along they had to start looking at making proper business judgements and things like that

KG: Not that so much, but I tried to make it into an operating company, instead of an entrepreneur arrangement.

SB: I guess that caused some static within the company, with people. . .?

KG: It does yes. But of course, both parts of the business play a big part. Each have their place in the company. But they had never had to operate before in a proper way and now that they had built it up to what it was, now they needed to make it make some money for them.

# 046 SB: And that was mainly your job, was looking at ways that they could make more money?

KG: Yes, better operation and better administration.

SB: And when you joined, was their primary target oil or gas?

KG: I would say it was oil at that time. They were working on both but they had more oil production than they did gas production. Of course, they developed more into gas company because they had put the West Coast company on stream and that was their main objective then.

SB: So some of the ideas that you had for improving the production operations, what would they have been?

KG: Just better efficiency for the work and proper use of the equipment that they had. We thought that they had too many trucks and cars and they weren't needed, so we had to equalize that down to where it was what we thought was a proper procedure.

SB: And did they have their own drilling equipment?

KG: No, they hired contractors to do their drilling.

SB: So in the Calgary Head Office, who were the main people in there at the time that you joined in '57?

KG: In the whole company or just the Production Department?

SB: Just in Calgary. . well, in the office in Calgary, your Production Department and anyone else that was there?

KG: Well of course, in the Production Department, we had, Al McIntosh was the top engineer and top production man at that time. Frank ??? and Al McIntosh were the two main

people.

#065 SB: And then. . was Hetherington. . he was in the same office but not. . . ?

KG: He was in the same building yes.

SB: But he wasn't involved with the production part of it then.

KG: At the time I came in, he had been involved in it but Mr. McMahon moved in on that when I came in and I never did report to Charles. He was kind of in charge of the whole company, except for the Production Department.

SB: So you would just report to Frank McMahon himself?

KG: That's right. He gave me a work contract when I went to work for him, that I would report only to him and I could run the production and drilling business the way I wanted to. So that excluded me from reporting to Mr. Hetherington. He was more of a pipeline engineer than a gas plant operating man, that was his main field of endeavour.

SB: So were you involved very much in looking for additional acreage and expanding the reserves that the company had or. . . ?

KG: ??? reserves, drilling and looking for oil and gas, but the acreage thing was handled by the people that were doing it before. They had large acreage, they were always bidding on land sales, making deals with people to drill more wells.

SB: So you just had to keep up with whatever they brought into the company?

KG: That's right. And try to make the best out of what we had to work with.

SB: By then had they acquired 4 million acres, by that time, in northeastern B.C. or did that come a little later?

KG: They had that land when I joined them.

SB: So that must have been quite a massive operation to keep track of it.

KG: It was, yes. But we had a very good Land Department in the company. Bill Grayburn??? was the Vice-President of Land at that time. Bill Grayburn and Jim Stattler were the land people.

SB: So they were responsible for finding out what land was available and then going out and bidding on it and things like that?

KG: Not so much that as to be sure that the deals were all recorded in a legal way and that the government was satisfied with our records, in reporting to them. That was the main big job they had.

#093 SB: Do you remember who in the government they would have been dealing with most of the time?

KG: The government in Edmonton you mean. The Energy Minister at that time, under Mr. Manning, was Mr. Russ Patrick and Howard Somerville was the man that they had to deal with to get the land. Those were the ??? names in the industry.

SB: When Phillips took over the refining and marketing outlets, in 1959, did it change Pacific's operations then?

KG: They took over, only if they had people with experience. We operated but they sent their people up to work for us and so it didn't change our operation too much. It just gave us some know how and some people that could really run it for us.

SB: So in a way it was a relief I guess?

KG: Yes, they didn't take a part in managing it or anything like that. They just furnished some of their know how to us. We ??? ??? plans properly.

SB: Did you know Boots Adams at that time, or did you get to know him later?

KG: I knew him at that time.

SB: It seemed to me that Pacific and Phillips had, in some ways, followed the same pattern. Did you get much of Phillips experience, well say, Boots Adams experience. . .?

KG: I never did work for Phillips you know. I worked for Gulf before I came to Pacific. And then after I came to Pacific, I worked closely with Mr. Adams, because he was running Phillips and I was in effect, running Pacific, so we saw each other quite a bit and became friends, in business and otherwise.

SB: I guess one way of boosting the company's revenue was through acquiring other companies. Did you have very much involvement in selecting companies that they'd acquire?

KG: Yes, whenever they would decided that they wanted to do things, they'd come and we'd do the feasibility studies for them and tell them what it amounted to, if we needed it or not, how big it was, what it would do for our cash flow and profit. So I was really part of the team that put the deals together.

#122 SB: Who else would have been on those teams?

KG: Mr. ??? and the administration and financial people. And Mr. ??? Clark, our Exploration Vice-President. I'd say he and Mr. ??? and Mr. ??? and myself were probably the ones that Mr. McMahon looked to most.

SB: They had been with the company a long time.

KG: A long time, yes. Of course, you realize at that time, that it was the McMahon's company and they made the final deal. They may give the final answer on what they wanted to do but they used us to advise them if that was the right thing or not.

SB: It seems like most of the decision were good ones, because the company eventually made a profit.

KG: You know, you have good ones and you have bad ones, they can't all be good.

SB: What was Humber Oil, who owned that before you acquired it, do you remember?

KG: Humber was owned by Art ??? and Max Bell and some of those people. So Mr. McMahon and Mr. Bell of course, were good friends and they made a deal to put it into Pacific, so we gave them Pacific shares for their values in Humber.

SB: There was a large gas field discovered near Fort Nelson in 1958. Were you very much involved in putting that on stream?

KG: That was just an exploration program that we had going. It turned out that we got some very good wells. Then we had to put it on stream and eventually build a gas plant in Fort Nelson, in order to produce it and sell it. We had to extend the ??? pipeline to Fort Nelson, to bring it into the main line, which took it down to Vancouver and the States.

SB: So it solved in a way, the gas shortage that West Coast. . .?

KG: That was the idea, yes.

#147 SB: I guess that was one of your problems, that you had to find ways of solving the gas shortage that West Coast had.

KG: Yes, we needed more wells. Then we needed to have the wells that we had, operate properly, get the maximum production all the time. We had to work all the time with the British Columbia government to increase the amount that they would let us take out of the wells every day. So there was a lot of negotiation in that, going to Victoria and talking to the government.

SB: Who would have been the people in the British Columbia government that you dealt with most frequently?

KG: Let's see now, I knew you were going to ask me that. We dealt with the Energy Minister, I can't think of his name right now. In just a minute, I'll think of it. But that was back in the days when the old Mr. Bennett was the Premier.

SB: And he had a good attitude towards developing the oil and gas, did he?

KG: Oh yes, he did. And he had a good relationship with Mr. McMahon of course. I just forget the Energy Minister's name now, my memory's not as good as it used to be. But we dealt with them to get more production from the wells, without ruining the wells. If you produce a gas well too long, the water will come in and ruin it, so it won't flow at all. So you have to be careful in what you do. I of course, had to explain all that to him and make him believe us.

SB: I guess you were the only real gas operators in B.C., that was the only oil and gas area.

KG: Our company was the largest land owner and we had the most wells and most production. So they looked to Pacific for ways to do things quite a bit.

SB: Did you also have to show how it would benefit the surrounding community, or anything like that?

KG: I think it was obvious that it was beneficial to the community by what we were able to do in Fort St. John. Fort St. John's population had increased, services had increased to the town. As we moved up to Fort Nelson the same thing happened. So it was beneficial to the province.

#178 SB: So in 1958-1961, you were just slowly building up reserves and building up the assets of the company, I guess, was that your main objective?

KG: That was the main thing, yes. Getting it to operate more efficiently, where people would want to do business with us, so we made could make more deals to acquire more production. And during that time, in 1960, was when we started making a deal to take over all Phillips' operations in Canada. So we finally bought all Phillips' operations, all of Sunray's operation, put them all together. That was the main thing that started Pacific working big.

SB: Were Phillips and Sunray favourable towards that idea.

KG: Yes, they wanted to improve their operation, expand their operation in Canada, so they thought the best way to do it was to go in with us. So instead of them buying Pacific, Pacific bought them and gave them a large share of the company. When we got through, they owned about 1/3 of the stock of Pacific, Phillips did and Sunray owned 10% of Pacific. And we had all their land and all their gas and oil production coming into our

company. So that's when the money started rolling in. And that was the first year we made a profit. 1961 or 2 was the first year that they had ever made a profit. I'll never forget that year because we made about a million, two hundred thousand dollars profit and we had never had a profit in the company. So it was quite an achievement.

SB: Well, I guess before that, you had always plowed profit back into acquiring more acreage?

KG: Oh yes, that's right. Just operating the company, we were spending more than we took in. But this, after buying those other companies, their production and revenue came into us and we had more revenue than we had expenses.

#208 SB: And so I guess also, each time you brought in another company, you had to work of rearrange the staff or would they just... the staff of that company would leave and you would just...?

KG: Like in Phillips and Sunray's case, it was part of the deal that Pacific people would stay and run the deal. They took all their people back home and put them in other places in the world. You see, they operated all over the world. They could use the people elsewhere, so we didn't have to absorb any people, we just did it with our people.

SB: I guess Pacific itself, would slowly grow though, each time you... as you were getting more involved with...?

KG: Oh yes. If we didn't take their people and we needed more people, we could go out and recruit other people to work for us. All the departments had to expand.

SB: Was it difficult finding skilled and trained people in the early 60's or were there enough people around?

KG: It was difficult all right. But what we did, we did like everybody else was doing, we went out and hired people from other companies to come and work for us. Just like Pacific had hired me to come with them from Gulf. We went back, not to Gulf, but other companies and asked them if they'd like to have some work with us. And Pacific was growing then so a lot of employees could see an opportunity to come with a new company. That's how we got most of our company. Of course, when we could with people in the company, we promoted them as much as possible, made opportunities for our own employees.

SB: And did the employees have a chance to get shares when they joined Pacific?

KG: We had an employee share purchase plan. But in order to get people to come with us sometimes, we'd give them an option on stock, to get them to join us.

SB: So when you made the arrangement with Phillips and Sunray, did they have any concerns about the way they wanted the company to operate.

KG: They didn't come in and take a position in operation. They more used it as an investment in their company. That's the way they treated it. But when the McMahons wanted to step down, they did send a man up to be the President and then asked me to be the Executive Vice-President. Of course, the man was not an exploration man, he was a marketing man, a salesman. So he came and stayed a few years and they took him back to Bartlesville.

#248 SB: I guess his experience was too focussed on just one part of the whole operation?

KG: He was more in the refinery and product selling business. He was also at work all over the world, he was from New York city, the man who came. But he wanted ??? around drilling and exploration. So he and I worked together a number of years.

SB: When they went through the merger with Phillips, there was sort of a lot of secrecy involved, do you remember that?

KG: Oh yes. Phillips designated their Executive Vice-President to be the manager to work on the deal. He would come to Calgary and work with us and Sunray had their Executive Vice-President come up from Tulsa and I was designated to look after the Pacific side. So the three of us really made the deal. We just went over to the Palliser Hotel and stayed locked up all the time til we got it worked out.

SB: And they had to evaluate the assets of each company during that time I guess.

KG: Yes. We did the assets of Sunray and Pacific and Phillips. And they we took Pacific's assets and put a share value on. They accepted our share value, so they took that many shares into their company. That's how come Phillips ended up with 30% of the company.

SB: So while this was going, I guess the idea was to keep it quiet so the shares wouldn't. .?

KG: Oh yes, you didn't want them to fluctuate on the market.

SB: And there wasn't ever any incident that threatened the secrecy of it or anything, was there?

KG: No there didn't seem to be at that time.

SB: So when this happened, I guess it was the largest merger that had ever taken place in Canada. Were you aware of that at that time?

KG: I don't know that I remember that so much. I know it was a pretty good size. Because our companies assets, at that time, compared to these times now, weren't too large, but they were around \$64 million as I remember.

SB: Did you ever consider yourself as an independent? I'm just thinking of the Petroleum Associations that were around then, there was IPAC and CPA. . .?

KG: We always thought that we were independent, until we made this Phillips deal. Then we were not quite a major but we had marketing, refining and production and gas exploration. So we were not. . the majors didn't consider us a major and the independents didn't want us to be an independent. So we were kind of in the middle there.

#300 SB: So you didn't really get involved with either organization?

KG: Yes, we belonged to. . at first we belonged to the CPA and then we finally. . .we never did belong to the Independent because they didn't think that we had a place there. But we belonged to the CPA and several of our people have been Chairman of the CPA Board over the years. Mel ??? and Al McIntosh, those people did a lot of work in the CPA. For years I was Chairman of the B.C. section of the CPA, because even though, we might not have been an independent, we were the largest land owner in British Columbia.

SB: Were there any. . I guess the CPA at that time, was trying to establish export permits and things like that, were they? So in some ways it would have benefitted Pacific as well, what their activities were.

KG: Oh, we had a part to play and we could make a contribution to what they were trying to do. At that time, I'd have to say, that Imperial Oil was trying to run and dictate what went

on in the CPA, which was more of a major objective than it was an independent objective.

End of tape.

Tape 2 Side 2

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Tape 3 Side 1

SB: It's November 15<sup>th</sup>, 1984 and this is the third interview with Kelly Gibson. Mr. Gibson, you had quite a lot of involvement with gas plants, you were mentioning that the first one you were involved with was for Gulf, could you explain how that came about?

KG: I was in charge of Gulf's operation in Stettler, in the field and they decided it was time to extract some of the liquids from the gas, so we built a plant in Nevis, Alberta. We ??? gas from the fields into the plant and we extracted the liquids and started making propane and butane. I think that's the first time in Alberta that they'd had a plant of that nature.

SB: And was there much market for the propane and butane at that time?

KG: Not too much, no. That's when we first started developing the markets.

SB: So was there very much trouble getting people who could build a gas plant?

KG: Quite a bit of trouble. As a matter of fact, we put out the bid but we couldn't get anybody to bid on it. So Mannix Construction Company, they went to California and they got a fellow to go in with them and they formed a company just for that project.

SB: What was the name of the company that they formed, do you remember?

KG: I would have to take a minute to think about it. We didn't have any people in Canada, Gulf didn't that were on the payroll then that could do that sort of a job. So they sent down to California and got an engineer to come up. His name was Ed Galvin, you probably know of him. That's why he came to Canada, to help us build the plant. He made the design and ??? from California came to go in with Mannix, to do the job.

#026 SB: So did you have any trouble putting it into production or anything like that?

KG: We had quite a bit of trouble. The construction went along fine and we got it built, but then, when we got it built, we didn't have anyone that knew how to run the thing. Of course, nobody in Stettler and on our crew had ever done any of that kind of work. So we got some other people to come into Gulf and they came in and got it started up. I finally went down to Casper, Wyoming and hired a man off of Amoco that was running the same type of plant down there. I got him to come to Canada, to just do this job. His name was Frank Kennedy and so, after about a week of his being there, ??? how to open and close the right valves to get them working properly. Then we started making the product and having something to sell. But until that time, we were in a mess sure enough.

SB: And that was just before Gulf joined BA or . . .

- KG: That was about . . .yes, a little bit before.
- SB: I guess that was the beginning of the gas plant experience, after that they went to Pincher Creek, was that their next project?
- KG: No, they were developing Pincher Creek before that, but they hadn't built the Pincher Creek plant yet.
- SB: So in a way it was a training ground for Gulf as far as gas plants go I guess.
- KG: As far as Canada was concerned, yes. So that's why I say we didn't have any people that had gas plant experience within the company. So that's when they started bringing people like Mr. Galvin in.
- SB: And he stayed with the company for awhile?
- KG: He stayed with it until the plant was built and then he left the company and he's had quite a career himself, he started other companies and got into business for himself.
- SB: When you were with Pacific, shortly after you joined them, you started the Empress plant. I guess it wasn't just after you joined them, I'm just trying to think of the year . . . 1963.
- KG: About '61 and 2 and 3. We did Empress. What happened was, after I joined Pacific in 1957, then all the companies in Alberta made a Trans Canada gas deal, where they would get gas and sell it to Trans Canada and that project was done and they were shipping gas. But what was happening was, gas was being bought by volume by Trans Canada, but then it was being sold down in Toronto on a BTU basis. So because the BTU's were high, they sold a lot less gas, so we all hit upon an idea that they would take the BTU's. . . they'd take those liquids out of the gas and lower the BTU value. So they put out the bid to see who wanted to build the plant for them. So we went in competition with BA and other people to see who would build the plant. We won the right from Trans Canada to build the plant and that's when we built the Empress plant. All the gas that was sold and transported east, came down to Empress, on the Saskatchewan and Alberta border. Then we put it through the plant and took all the liquids out, then sent the gas and kept the liquids and made propane and butane out of them. Then they were able to sell more gas in Toronto because the value of it was less. Then we got a pipeline, a liquid pipeline from Empress to Winnipeg, Pacific did, to ship the liquids east because we had a market for them.
- #067 SB: Was that one of the first liquid LPG pipelines?
- KG: Yes, the first LPG pipeline, one of them. It was also the first time that we had a [stripping plant]??? of that size built, to take the liquids out of the gas. Subsequent to that, it was the second plant built at Empress. But I think ??? Dome and Canadian Pacific company.
- SB: So when it got to Winnipeg, was it just distributed locally or did it go into another system from there.
- KG: It either went by truck or by tank car, from our plant in Winnipeg to stations down there and people would pick it up. We kind of started the liquid propane and butane business in Canada.
- SB: And so I guess after that, more and more companies started following the same . . .
- KG: Yes, they could see the value of the liquids if they were processed properly. So then they went into the business too. But not on such a large scale such as that, because we had the

largest volume of gas to work with.

SB: What fields would the gas have been coming from?

KG: From all the fields in Alberta.

SB: Is that right?

KG: Yes. All the fields that were tied together in the system went by our plant. We did the same thing later in Fort St. John with the gas that came in there.

SB: And sent it down by pipeline as well?

KG: No, we trucked more that. It was lesser volume because the gas was drier up there than it was here.

#086 SB: I guess that's just a variable that depends on the field does it, or something like that?

KG: It depends on the make-up of the gas when it's produced. Some gas is very dry, no liquids at all. Others has a lot of sulphur and acetate??? and H<sub>2</sub>S. Some is dry and some is very wet.

SB: And does Alberta have a higher percentage of, say, anywhere in the States?

KG: It all goes by fields and what formation it draws from.

SB: I also noticed that when you started going into the north, after developing Fort St. John and the Fort Nelson fields, there was a push by quite a few companies up into the Northwest Territories and the Yukon. Can you remember how Pacific got involved in that. I was thinking of say, the Lliard??? Basin play and the Kodenealy??? play.

KG: Right at first Pacific did not get into the northern play because we thought it was such a long term that we didn't think we could make any money at it. So we weren't one of the first people to go north, but finally we decided we better go. It was all federal lands and you had to bid or take permits from the federal government in Ottawa. So we finally did get in the Northwest Territories and had some good plays.

SB: How did you acquire the acreage in Beaver River and Pointed Mountain, did you get those. . .that production from another company?

KG: No. There were two ways, first was through the government, through land sales, lease sales and we went with Amoco at Pointed Mountain and Beaver River. So that was a farm in deal that we made.

SB: I guess that would have been in the 70's, was it, that that was put on production?

KG: It was put on in the 70's, but the deals were made in the late 60's. And the drilling was done in the late 60's.

SB: You later went up into the high Arctic as well. I guess there was a discovery by Atlantic Richfield that sparked off a lot of interest in that area, but you'd been in there before. Do you remember why you had decided to go into the Arctic, or what had started that move?

KG: Just moving north. And the Prudhoe Bay stuff in the States got us interested in going further north. They thought some of the big fields would be there and so we just went exploring.

#099 SB: You mentioned last time that when you were with CPA, that there were a lot of the majors that were trying to sort of run things according to their interest, for

instance, Imperial. What were their major concerns, were they just concerned about the size of land acreage that they wanted to develop, can you remember anything like that?

KG: The majors objectives were different than the smaller companies. Because they were in all phases of the business, where the small companies were only in exploration.

SB: So they probably didn't really care that much about the relative expenses of exploration because they could play it off against something else.

KG: [They would fool around with the company, where most of the other companies would not]???

SB: When the NDP government was elected in B.C., I guess you had to deal with them, because they wanted to form the Petroleum. . . .?

KG: We went to British Columbia to work with the West Coast in 1970. It was in that year that it was election year and that was the year that the NDP took over from the Social Credit people. Mr. Bennett retired and Mr. Barrett came in as the Premier. He got the idea that the province could get more revenue out of the oil and gas business. So he came to us, asking our advice on what could be done to help them out a bit. At the same time, help us out of course. So we discussed the proposition of them buying all the gas, instead of . . . you see, West Coast at that time, we were buying gas from all the producers in Alberta and British Columbia. We just bought it for a straight fee and we sold it to the B.C. government and to the El Paso Natural Gas people in the States, on a ??? contract. So we didn't have any way get any more money for our gas, so we couldn't pay any more for the producer. We had a kind of a stand off on what we could do. We couldn't pay more, we couldn't sell for more. So we were in kind of a squeeze in the company. And of course, the royalty situation ??? what you could be paid for the gas too. So we convinced the B.C. government that if they would take over the gas contracts, we would take over the selling and transporting. We would do it for a fee. So that was established, we made the contracts and they took over all the gas purchase contracts and then they just paid us so much rate of return on the money we had invested, on our assets invested in the pipelines. We didn't have to take the swings of buying for less or selling for less or buying for more and selling for less. The first year, we increased the province's percentage of revenue, about \$6 million to about \$60 million, in one step. And now after all these years, it's up to well over \$100 million, close to \$200 million they get in revenue from royalties that they weren't getting before.

#167 SB: And that's just from mostly, northeastern B.C. is it?

KG: All the B.C. gas, but all the gas in B.C. is in the northeast part, yes.

SB: So that brought about the formation of the B.C. Petroleum Corporation?

KG: It did yes.

SB: And it's main objective was just to handle what West Coast had been doing before.

KG: From the gas purchase side yes. And then to try to get people to do more exploration work, to get more gas so more would be sold. But it was beneficial to the government as you can see, but it was also beneficial to West Coast because, at that time, West Coast, you might say, was on a utility basis. They had a certain profit that they could make but

they couldn't make any more profit at that time. So we had to keep going back to the government to get our rate of return changed as much as we could each year. That situation still exists.

SB: I think, was that the time when a lot of the other companies moved out of B.C.? For awhile there was some concern about the nationalization of resources, at least from the point of the American. . .?

KG: Some of them, yes. But then they finally all moved back in because it got to be a better deal than they were getting before, with the government than we were able to give them. At that time also Pacific Petroleum was the largest land owner, the largest producer and the largest exploration company in the province.

SB: There was a problem at that time of getting the gas out of the Kodenealy Basin or our of Beaver River and Pointed Mountain, was there some kind of deliverability problem that was tied in with that.

KG: We did. [We had problems and had to let that one go]???. The wells that they had that were producing, it just seemed like overnight, they would go and water up and they couldn't produce very much gas. So some of our contracts, got to where we couldn't meet them because we didn't have enough gas coming into our system.

#197 SB: So it was better for everybody then, this arrangement?

KG: Well, they had to go back in and rework some of the wells and drill some more wells to get the gas up to where we could make our total sales.

SB: I imagine it was expensive drilling in that part of the country too, was it?

KG: Very expensive. It's in the mountains and it's a bad place to drill because of the conditions all the time. And the ??? very deep, 13 or 14 thousand feet deep.

SB: How would they get they get the supplies in, would they come down the river or something like that, you know, for the drilling contractors, all the drilling supplies?

KG: Most of the contractor stuff was hauled in by truck. No, they didn't use the river too much to do that then.

SB: Do you remember who the drilling contractors were up there?

KG: It was pretty wide spread. People like ??? Drilling and Commonwealth and people like that. All the regular people bid on the jobs. They would change from well to well and from location to location.

SB: I guess Dome was up in that are too, at one time, was it?

KG: They worked on Beaver River some yes.

SB: I understand that in the late 60's the company was interested in buying into refining and marketing in eastern Canada. Did you have much success in breaking into that market?

KG: We were interested in increasing our market across Canada, so we made a couple of attempts to do that. We were working on a deal with Dominion Oil Company, it was later bought by Shell. After we lost that one, then we did quite a bit of work with Petrofina and tried to put the two companies together.

SB: How had Canadian Oil Company started out, who's company was it, what was the history of that company? Canadian Oil Company's Ltd., was it started in Canada, or do you know much about. . .?

KG: I don't know too much about it, but there's a lot of history in it. It was started I think, by Imperial Oil, by the Esso group, by the Rockefeller??? group, but they incorporated in Canada first, then later returned to Canada.

#239 SB: I guess during this time you were playing a role in the company of trying to act as an emissary in a way, going out and speaking to groups all over the country. What was your main objective in doing that?

KG: Financing and too, trying to do pipeline work and going to hearings, both in the United States and Canada. We kept pretty busy at that, yes.

SB: I saw somewhere that you were. . one symbol of your success was that you were getting a lot of security analysts that would come and visit the company. What was their role, how did that help Pacific?

KG: They would report on the condition of the company and management and then they would put that to the finance community of the country and they would of course, put that to the people that wanted to buy stocks and bonds. It would help you with your financing. But they were doing all the companies that way at that time. I'm sure they still do. They'd come in and come and talk to you and find out what you were doing and what you were going to do and they would report it and that would help your level of finances, what you had to pay for the money that you needed.

SB: I guess Pacific stock had improved a lot from the time you first joined them. Had it gone up a lot?

KG: Not quite so much, no. ??? When I joined Pacific it was \$17 a share and it got up to about \$25-\$30 and then fell back down until I made the deal with Petro Canada.

#269 SB: Do you know what had been the cause of it falling back down, was there anything that you could pinpoint?

KG: I suppose just the progress the company was making or not making at the time. It had to do with the security analysts coming, how they would report on you of course. But our profit position would change of course, with every deal.

SB: You made a lot of profit. From the time that you joined them until the time that you retired, Pacific's profits had really multiplied substantially.

KG: Through that phase of the company, yes. Of course, it was partly due to buying other companies that had been booming or buying a cash company.

SB: And at one point it was the top company in Canada that wasn't owned outside of Canada, it wasn't owned in the United States. I guess that was quite an accomplishment to be able to say that about a Canadian company.

KG: Of course, that credit is due to Mr. McMahan who started the company. It was kind of a ??? company at first. It was one of the first Canadian companies. . it was the first Canadian company that was registered on the New York stock exchange. To get register on the Exchange you had to make so much profit in a year, you had to make a million dollars profit every year before you would be listed. But it was the first Canadian company to be listed on the New York Exchange. Other companies were listed on the American Exchange in New York but not the New York Stock Exchange.

SB: I noticed that you joined the Conference Board of New York. What were their activities, what was the purpose of the Conference Board?

KG: It's the same Board today up in Canada. I first joined the Conference Board in Canada. It's just an independent group to survey and do economic studies. After I was in the one in Canada for so long they asked me to join the United States one, so I was in that for a number of years.

#310 SB: I guess in the early 70's, it was becoming apparent that the Canadian government was going to be influencing petroleum policy more.

KG: That's because, up until that time, we always dealt with the provinces. Because we were working on provincial lands and the regulations we had to follow were provincial regulations. Until we started moving into Northwest Territories and the Yukon and farther the Arctic, the federal government in Ottawa didn't have any jurisdiction over what was going on. So then we had to start dealing with them. It changed our ??? because we had to go down and get acquainted with them and they had to get acquainted with the oil companies and they had to teach us what to do and we had to try and teach them what to do. That's what you're going at. That was in the 70's when we did most of that work, yes. Until that time, except for Indian lands that the ??? government supervised, they had nothing to do with the oil and gas industry to speak of. Of course, they didn't get any of the revenue out of it either. It was at that time that the provinces and the federal government got into their conflict about who was going to get the biggest piece of the pie.

End of tape.

## Tape 3 Side 2

- #016 SB: So did the Albertan industry feel that the Alberta government was fairly supportive of them, or it didn't seem to interfere with them too much or anything like that. In the industry, I'm just thinking about. . . .
- KG: Are you talking about the industry or the federal government?
- SB: Industry, I'm talking about the pull between the federal and the provincial government.
- KG: Of course, ??? could say there was one more branch of government to fool with and there was going to be conflicts, but the conflicts never really started until the late 60's after Premier Lougheed came in to Alberta, then he started trying to keep the federal government out of our business out here, that's where the conflict started. Of course, then they started trying to get as much as they could out of him and as much as they could out of the oil companies and we were all in the middle of that.
- SB: Were there any things proposed at that time to help deal with the problem, by the industry, what did they propose to the governments?
- KG: They made it their business to try to inform both the provincial and federal government all the time, what was needed, what they wanted, what they were doing and how to operate.
- SB: Did you ever sit on any committees or go to Ottawa or things like that?
- KG: Yes, I served a number of years on the Federal Energy Department's Advisory Board. Back in Joe Green's time he set up an Advisory Board Committee and it carried on and on and on, from Joe Green to Don ??? to ??? Gillespie and I serve too, all those years.
- SB: Which of those three did you think was most sympathetic to the industry, was there any comparison?
- KG: Lots of comparison, but I wouldn't care to make the comparison. You know, you have your people that you like better than others, but I'd rather not criticize any of them. We always got along good, but our job there, when we were asked to serve on a committee, was to serve to try to help the Minister as best we could, not to serve to help our companies. We just, as a favour you might say, to devote our attention to helping the government. We tried to help the Minister do the best job he could do. They were all good that way.
- #042 SB: I guess one of the major concerns was the conservation of the oil and gas resources, they were worried that there was going to be an energy shortfall in the future. Was that the major problem?
- KG: That was one of the problems, yes.
- SB: Did the industry share that viewpoint?
- KG: We always had been under conservation bosses, and our own companies, each of us, also

working with the Alberta government have always been very strong and strict on conservation. Of course, then the federal government had to pick that up too. But they brought in a Conservation Board down here, similar to what Alberta had had for a number of years and took most of the good people from Alberta down there to run it for them.

SB: Which was that, the National Energy Board?

KG: The National Energy Board, yes.

SB: Did the National Energy Board have very much jurisdiction in Alberta, like could they overrule the energy Resources Conservation Board or anything like that?

KG: They each worked in their own jurisdiction, they each had their own rules and regulations but they didn't conflict too much, no. They worked together pretty well. But certain things you needed to do, if it was all across Canada, then of course, you had to get your approvals from the federal government. If it was only in Alberta then you only had to get your approval from Alberta, or Saskatchewan as the case may be or Manitoba or B.C.

SB: So say pipeline would have been the federal government?

KG: Yes, because it was inter-provincial or across provincial boundaries or going down into the States or whatever.

SB: I guess exports were still a major issue then as well?

KG: Exports was a federal jurisdiction. Also they finally got into the pricing of gas. You couldn't export gas without their ruling on what the price would be.

SB: And I guess that most of the companies felt that the pricing was too low in most cases, at that time, did they?

KG: Well of course, it was changing from time to time, sometimes it was too low and sometimes it was too high. You had to make deal that they would approve, so your negotiations had to go on some of their approvals. But the United States has the same system, where they can't buy or sell gas, without federal approval.

SB: In 1977. . .well, I guess with Pacific and West Coast you resigned in 1975 was it?

KG: I resigned from Pacific before I did from West Coast. I resigned from Pacific when I was 62 years old, I was born in 1912, so I resigned from there in 1974. Is stayed with West Coast until I was 65, so 1977, I resigned from West Coast.

#079 SB: And that same year you were involved in the formation of Foothills Pipeline . .

KG: Before that. About a year or two before I resigned from West Coast, we went together with Alberta Gas Trunk and formed Foothills Pipeline, in order to compete with Gas Arctic, on who was going to bring the gas down from the Arctic to the United States. And we ??? ??? all kinds of hearing in Washington and Ottawa and around. But we finally won the right from the federal government to do the project, which hasn't been done yet of course, but we have the right to do it.

SB: And you worked very closely with Bob Blair, how long had you known him?

KG: I've known him every since he started Independence. I knew his father real well too, but he was the head of Alberta Gas Trunk and I was running West Coast Transmission, so we decided to put the two companies together and make a competing big against Gas Arctic. Bob was President of Foothills Pipeline and Chief Executive Officer and spokesman for

the company and I was the Chairman of the Board and did what I could behind the scenes. Because he was much younger than I am and more active than I was at that time. So it worked out real good, we had a good project going.

SB: What could you do behind the scenes, just contacting the right people?

KG: People that we knew and companies that we knew, politicians and ministers and so on and so forth, financing people. Also I was a Director of the Royal Bank of Canada at that time, and Mr. Blair was the Director of the Bank of Montreal. Between us we knew most of the financial people and just working that way together.

#101 SB: How much money did you need to finance it, how much did you have to raise?

KG: We didn't raise any money at that time, we did all the expenses out of our own companies. He paid half the expenses out of Alberta Gas Trunk and I paid half of the expenses out of West Coast Transmission. And we paid our own travelling and personal expenses out of our own companies, so what we were working for was if the project went on, we had millions and millions and billions of dollars to raise, to do the job once it was to be done, that's what we were working at.

SB: I guess one factor in choosing the route that you did was that you knew that the environmental groups wouldn't have very much opposition to it, the same that they did to the Arctic Gas proposed route. Was that just your own perception that made you realize that or were environmental issues becoming more and more of a concern?

KG: More and more, yes. We were working over lands that either West Coast or Alberta Gas Trunk had worked over before. We had the experience to do that work, more so than Gas Arctic did.

SB: And I guess at the time it was considered a really maverick move because most of the people you were competing against were majors and international companies, did you feel that at the time that there was a lot of surprise?

KG: We thought that we had a chance, but they thought that being bigger companies, with more financing and technology behind them than we had, that we wouldn't have a chance. But as it turned out we're the largest pipeline companies, fully pipeline operating companies in Canada, putting it together that way, is what helped us win it I think.

SB: I guess you had a lot of dealing with Carl Nickle too, he was involved in the Alberta Gas Trunk Line to an extent was he, he had stock in it. .?

KG: I think he just was a shareholder. He wasn't in the deal at all, but I've known Carl for many years. Of course, through his publication of his Oil and Gas Bulletin.

End of tape.

## Tape 4 Side 1

SB: This is November 22<sup>nd</sup>, 1984. Mr. Gibson, today I wonder if we could cover the events that led up to the acquisition of Pacific by Petro Canada. I guess in the late 1970's Petro Canada was looking for ways to expand and give it a firm foothold in the oil industry. What were some of the reasons that it was looking at Pacific?

KG: Well, they had bought the Atlantic Richfield properties you know and I guess they just wanted to add to their holdings. With Pacific, what started me in on it was, early before that, you probably remember. . . pardon my voice today. . . you probably remember that CDC??? bought Texas Gulf's sulphur??? interests in Canada and at the time that they were going to do that deal they got into some litigation in the States and if you remember, they were down there trying to work that out so they could make that purchase. The people from Phillips in Bartlesville, Oklahoma, that owned the biggest part of Pacific, called me one day and said, you know we might be interested in selling our stock in Pacific if you can find a buyer. I said, well, I don't have any idea about that, they said, what about CDC, I said, they're in a big deal if they make it. He said, if they don't make it do you think they'd want to buy our shares, could you find out for us and I said, sure, I'd do that. So I called Marshall Crow, he was the Chairman of CDC at that time, and he came over to my office at West Coast in Vancouver. One morning he happened to be in town and he came up, so I approached him about that. He said they couldn't take on another deal at that time. But he said if they didn't make a deal with the Gulf sulphur deal, that he'd be back to me. We were pretty good friends so we'd talk back and forth about it. He left and he went out and made the sulphur deal so I knew then they wouldn't be interested in Pacific. So that kind of dropped there, that was the end of that. But a few months, maybe a year or so later, I was in Toronto one night in the Royal York in the newsstand and Bill Hopper??? was in there and I knew him very well too you know. So he came over and said, let's go have a drink and have a talk. So we went and had a drink, he said, is Pacific for sale, I said, I don't know Bill, but I can find out. But I did know that ??? ??? , so I called him back the next day and I said, do you still want to sell you stock and they said, we'd listen to anybody who wanted to talk to us. So then later I called Bill and I said, Bill if you want to go down and talk to them, I'll make an appointment for you, they'll be glad to see you. So that's how he got started. At the same time, you probably remember that Alberta Gas Truck, Bob Blair was trying to buy Husky. Petro Canada was interested in that, they thought they might beat him out of that, but Bob ended up buying Husky, so then Hopper went down to see Phillips and ended up buying Pacific. But at the same time Blair went down to see Phillips also, but they didn't make the deal, Hopper made the deal. But to answer your original that's the way I know that it got started and that's the part I had to play with it.

- #042 SB: According to different accounts I guess Hopper went individually, to Merrill Rasmussen and Bill Tye, they'd been working to kind of assess the value of Pacific I guess.
- KG: Well, you see at that time, I was only a Director of Pacific, I wasn't an officer, so when I talked to Bill I said, now Bill, you can't do anything unless you talk to Mr. Rasmussen, he's the President, he'd have to know all about this. He said, I'd want to talk to him because I wouldn't want to do anything that he didn't want done and he wouldn't join us. So he went to see Merrill before he went to Bartlesville. In fact Merrill was the one who set up the meeting.
- SB: Why had Phillips been considering getting rid of its Pacific shares?
- KG: To Phillips it was just an investment and they were in Pacific for about \$10 a share and they were going to get \$40-\$50 a share for their holdings and they had half the shares of the company almost.
- SB: Do you think they realized there was a growing sense of say, economic nationalism in Canada? Do you think they felt threatened by that at all?
- KG: They always knew that was the case. They knew that Canada was trying to get more control of their resources. They at one time wanted to have a meeting up here, in fact, did have a Phillips Directors meeting up here one time. Then when I went to West Coast they wanted to have one out there and I dissuaded them doing that because of the nationalistic concerns. But no, they just thought it would be a good deal for them to get their money out of it and put it someplace else. As a matter of fact, they had some heavy obligations in the North Sea at that time, several millions of dollars and they wanted to use it there.
- SB: Pacific wasn't really that surprised then, when they learned about being bought by Petro Canada, do you think they were kind of expecting it, the Pacific Board?
- KG: I know that Mr. Rasmussen knew that they'd been talking to Phillips but when they came back they didn't have a deal made. So we knew it couldn't be happen because Pacific people themselves didn't have anything to say one way or another, it was just one of our shareholders that wanted to make a sale.
- SB: And how about Bob Blair, would he have been able to finance the acquisition of Pacific at that time?
- KG: Well, I don't know about that. You'd have to ask him that of course, I don't know anything about his finances. But he had just made the Husky deal.
- SB: So I guess he was interested in Pacific because it had large gas holdings. . . ?
- KG: Alberta Gas Trunk, at that time, never had had any exploration work or owned any gas or oil, so he stood to develop the end of that, once he got Husky and ??? ??? put Pacific with it, but of course, it didn't work out that way.
- #078 SB: So you were still Chairman of West Coast up until that time, 1977. Did you find it . . .for awhile you were Chairman and Chief Executive Officer of both Pacific and West Coast, did you find that was difficult being in charge of both of them in a way, or was it a heavy work load or. . . ?
- KG: No, when I became Chairman and Chief Executive Officer of West Coast, I was Chairman of Pacific also and I was Chief Executive Office. Then we made Mr.

Rasmussen the President and Chief Executive Officer, so he really ran the Calgary operation and I looked after the Vancouver operation but I was still Chairman of both companies. I was Chief Executive Officer of West Coast, but at that time, not of Pacific.

SB: And so, did they give you the opportunity to stay on with Petro Canada, in any position?

KG: No, I had retired. At that time I was 65 and I'd had my stroke too, so they didn't offer me a job, no. I wouldn't have accepted one anyway, because I had quit all my jobs and all my Board Directorships and everything.

SB: I was wondering if we could talk about some of the other Boards that you served on, and how you got involved with them. I notice that you were past Director of Canada Liquid Air, how did you get involved with them?

KG: Well, I was a Director of the Royal Bank of Canada and I succeeded Mr. McMahon in that Directorship, when he retired he was a Director of the Royal Bank and they asked me to be a Director in his stead. Then I got a request from the Liquid Air people in Montreal, they wanted some one from the west so they asked me if I would serve on that Board.

SB: The Royal Bank was one bank that had a large number of oil men on its board. I guess that would have helped the industry in a way, by having people that understood . . .

KG: They always had the Imperial Oil top executive on their Board and ??? Mr. McMahon ???.

SB: They were one of the banks that. . .did they handle most of Pacific's accounts as well?

KG: They handled most of it, yes. West Coast Transmission also. They supported West Coast, when they made the pipeline, with the financing.

#110 SB: Can you remember, were you involved when West Coast or Pacific started an account with them or had they had it for a long time?

KG: Oh no, they had it before I went to work for the company. They had been the West Coast, Pacific group bankers for a long time.

SB: And you were also with Genstar Ltd., what were they affiliated with?

KG: They were a real estate development company, construction, house building and a cement company, a large cement producer. There again, I was just asked, I guess they were customers of the Royal Bank and they asked the Royal Bank if they could help them get a Director from the west. Mr. ???, the Chairman of the bank asked them, why didn't they ask me and so they did.

SB: Also with Foothill Pipelines, I guess that was. . . .

KG: Foothills, Mr. Blair and I decided that our two companies operating together, Alberta Gas Trunk and West Coast, would form Foothills to oppose Gas Arctic for the submission of a pipeline permit. I think I've told you this before though. So Mr. Blair and his company had a company he wasn't using called Foothills Pipeline that he'd got from Mr. Mannix, so we just took it and developed it into this pipeline company for the gas pipeline from Prudhoe Bay.

SB: Also Chrysler Canada, you were a past Director of them as well.

KG: Yes. That was the same situation. The Vice-Chairman of the Royal Bank was a Director of Chrysler in the States and Chrysler here. They were looking for a man out here in the west to be a Director too, so they invited me to come on the Board.

- SB: And the Conference Board of New York, you mentioned that . . .
- KG: I was on the Conference Board in Canada and the people in New York got acquainted with me and asked me to serve on their Board as well.
- SB: I guess their activities were similar to the Conference Board of Canada, were they?
- KG: Yes. You know about the Conference Board, what they do.
- SB: Not really, the one in Canada, I'm not really that familiar with them.
- KG: Well, they're just an independent group that surveys different industries and makes forecasts of recession and depression and things like that.
- SB: So that would have been useful to the oil industry I guess, to be able to predict what was going to happen with prices and. . .
- KG: That's usually the usefulness. But the thing that was most useful about serving on so many different Boards, are the acquaintances you make and people that you get to know. That's where it helps you and your company. It's quite a bit of work and you have to do lots of travelling, lots of study of course, to be able to contribute to the meetings. But I think the real benefit from being on them is the acquaintances that you make and people you get to know.
- #154 SB: I guess at that time you were at the height of your career, you'd acquired a lot of experience in administration and other areas, so it would have helped them as well, with your experience.
- KG: I think I could contribute something to them, because I was more of a business man than anything else and had a wide experience with different businesses, besides the oil and gas business.
- SB: At that time, in the late 70's I guess there was still a lot of discussion on marketing and exports. You were kind of involved in advising the government on making policy. What was the balance between say, supplying the Canadian market and providing exports.
- KG: I was one of the advisors to the Minister of Energy of the federal government, along with a lot of other people, and that's the thing that they did. They looked at exports as well as supply for the country.
- SB: Can you remember what the basic conflicts were at that time, was there a problem meeting Canadian supply at all or was there enough at that time?
- KG: Well, it looked like in the future, we were going to be short and we were trying to keep our reserves for Canada, didn't want to sell them, didn't want to export too much. They did a lot of work on export of gas and the federal government finally got to where they controlled the export price to the energy Board.
- SB: So a lot of the things that you had predicted, where government was going to take an increasing role in the industry, had started to take shape by the late 70's.
- KG: Yes, because the federal government was getting into it, where they hadn't been in before.
- SB: Did the OPEC crisis have that much direct affect on Pacific, in '73 and then later in the early 80's, did they have very much direct affect on the company's operations?
- KG: Oh yes, they had an affect on the income because prices went up and of course, our cash flows went up. We were selling gas and oil, for many years, around the \$2-2.50 a barrel level. ??? ??? escalating up to where our cash flow in the company from a million or two

at one time was up to \$50-60-70 million a year.

SB: I guess when the National Energy Policy came out, you had left the company by then.

KG: By the time they got that involved, I was no longer involved in the companies.

SB: I guess you could see it coming though.

KG: Oh yes. Well, the conflict between Prime Minister Trudeau and Mr. Lougheed was part of the effect of that.

SB: when had that begun, was that when Lougheed first came to power?

KG: When he first came to power. He started working at trying to keep the federal government out of his affairs and that was the time that they started taking a real interest in getting into this business, because of the revenue that would give the federal government. Of course, he was trying to keep them out of it as much as he could. So that's where the conflict started.

#205 SB: Do you think that its going to improve, the situation between the federal and provincial government in the future?

KG: You mean because of the new government?

SB: Yes, do you think there's any chance of it changing or do you think there will always be some conflict there?

KG: There will always be some conflicts there. There's bound to be because there's so much involved in it. There will always be some conflicts about who's going to get the most money out of it you know. That can't change too much. They may change their attitude in how they deal with one another. There won't be quite as much adversity as it was, you know, because Mr. Trudeau and Mr. Lougheed had never saw eye to eye about things. Where had they been in the same party, he and the present Prime Minister will probably be more harmonious in a relationship, should be I think.

SB: How about the future of energy in Canada, do you think it's going to stay more or less in oil and gas for quite awhile or do you think they're going to start diversifying into other, say coal, or something like that?

KG: Oh I think it's going to stay pretty much oil and gas. We've got lots of coal reserves but it will be a long time before they'll be fully developed, years and years.

SB: I guess most companies are still making most of their efforts in exploration for new gas in the frontier areas or. . . do you think the frontier areas are still going to be as important?

KG: Oh yes, they're going to be very important. But I think a lot of the companies that were quite strongly into frontier work have come back into the province. There's more money now being spent in the province now than there was a few years before. They probably work on both sides.

SB: What about independent companies, do you think there will be chance for more Canadian independents to grow to the same size that Pacific did?

KG: I can't answer that.

#244 SB: I guess it's just largely up to circumstance.

KG: Yes. More of a matter of the situation changing so they can pick up more land and have

more place to work, more deals to get in on. But it won't be as easy now to build a company to the size that Pacific got to.

SB: It wouldn't be possible under the present circumstances, you don't think?

KG: I guess it's possible but it would be more difficult.

SB: Why would that be, just the state of the economy?

KG: It's just a matter of that way you do the business now compared to the way you did before, financing and things of that nature, and government regulations make it more difficult now than it did.

SB: Are there any periods when you look back over your career that you enjoyed more than other or that you thought were more significant or anything like that?

KG: According to what stage you're looking at. If you're asking me what I enjoyed the most, the thing I enjoyed the most is when I was working out in the field, when I was doing drilling and supervisor work. Every day you could tell what you had accomplished. When you get up into the other levels of the company, the executive levels, you have to determine your progress by the month, not by the day, what you've accomplished. You can look back and say, well, I did better this month than I did last month. But when you are working out in the field, you pretty well know every day what you've accomplished that day. That's where the real satisfaction is. And then I always like working with the boys out in the field, the working men better than I did running around the country, flying around in planes, sitting in a desk. I don't know if that's a good answer to your question, but that's a personal thing. I enjoyed working out in the field a lot more than I did working at the desk.

#282 SB: Are you optimistic about the future of the industry in Canada for the next 20 years, do you think it's going to keep growing?

KG: I believe it will yes. There are lots of good people in the industry and they're going to keep trying and they're going to keep adjusting to the situation from time to time. I think there will be growth and progress all the time. For twenty years or more. But you realize things change all the time, prices change and ways to make money, the way to make a success changes from time to time. But on the level, overall, it will be okay.

SB: Are there any other things you'd like to add before we finish up.

KG: Not necessarily, I think we've covered everything. I think maybe when we go back to get the tapes, maybe we can correct a few things or add to them if you think so. So maybe we could have a meeting sometime later on.

End of tape.