

PETROLEUM INDUSTRY ORAL HISTORY PROJECT
TRANSCRIPT

INTERVIEWEE: Clay H. Riddell

INTERVIEWER: David Finch

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DF: Today is the 25th day of June, in the year 2001 and we are with Mr. Clay Riddell at his office at Paramount Resources at 4700, 888 - 3rd St. S.W. in Calgary. My name is David Finch. Could you start by telling us Mr. Riddell, when and where you were born?

CR: I was born in a farm house near Treherne, Manitoba but moved from there very early and grew up basically in Winnipeg.

DF: Tell us about your education?

CR: I went to high school in Winnipeg, to Daniel ??? High School and graduated with a geology degree in 1959 from the University of Manitoba. That's it.

DF: So from a geology degree at the University of Manitoba into the oil patch, how did that happen?

CR: I had worked a few summers, one with Esso . . well, even previous to that in the mining sector of the industry for a couple of summers and then later in the career, worked with Esso for a year, California Standard Company for a year as it was known then, now Chevron. And in those days they came by and I guess they still do to a certain extent, interviewed prospective graduates for jobs and was offered a job with Chevron in 1959.

DF: Tell us about how you progressed through your career to where you are now.

CR: Well, I joined Chevron as I said, in 1959 and 1960 was the first downturn that the industry experienced.

DF: What caused that, do you remember?

CR: No, I don't remember. I don't really know, I'm sure it was something to do with demand, I think the price of the commodity was pretty stable. But it may have been the overall economy, I don't know. It didn't worry me in those days, what was causing it.

DF: Why not?

CR: I'm 20 years old or 22 years old, I was just out of school. Anyway they had a large layoff which didn't include me, of earth scientists. They laid off 8 which is not very many by today's standards but 8 out of a total of, I'm guessing 30 was a significant number. But they didn't pick on the last graduates, so the 2 or 3 of us that had been hired in that time frame stayed on and I stayed on there until the end of 1968 when I left to start a consulting company and consulted for a number of years after that, running small oil companies for people in that period of time too.

DF: Can you compare the two experiences, working for a major and working for small companies?

CR: I never worked for small companies, I was the small company. Basically it was just investors who were looking to invest in the industry. Working for Chevron was a terrific experience. We graduated from the University of Manitoba was basically a hard rock

school with little working tools to succeed in the oil and gas industry. So the big advantage of working for a company like Chevron, or others worked for Shell or Esso or whoever, was the training program they gave you which was marvellous, but the close relationship you had with the other earth scientists, the geologists and geophysicists gave you a . . . and they always seemed to have more time then, gave you a depth of knowledge. . . and there wasn't so much to learn then either, gave you a depth of knowledge which you couldn't get out of the books.

#036 DF: So geologists and geophysicists were working together by this time?

CR: Oh yes. We did the whole gamut. We had the most primitive of computers towards the end of my stay there and I actually had a tour of duty through geophysics, through economic geology where we did economics of the industry on virtually every project we ran and actually was part of the group that did just that. And that certainly was. . the first 5 or 6 years my main job was running field parties in northern Canada. First of all working on them and then eventually being a Party Chief and doing that. Just before I left I was doing a tour of geophysics and that was when the Beaufort Sea had begun to open up. Chevron was fortunate enough to shoot the first seismic in the Beaufort Sea, came around the Point Barrow with a seismic ship which interestingly enough, we didn't know exactly where the lines were or where they crossed so that was a bit of a challenge. But as I say that was my last job there, I went down to Houston and worked on that for about 3 months prior to the sale in the Beaufort Sea. They got me doing it because I worked the onshore things and tried to relate it to the offshore things. We had a team of two geologists I think and a couple of geophysicists. Unfortunately or fortunately, probably very wisely, Chevron made the management decision not to participate in the sale. Not because we didn't find anything, that was the first glimpse we had of the magnificent diaperes and all of the rest of the things that we could see on the initial seismic, even if we didn't know exactly where they were.

DF: Wonderful. So how did you come to be associated with the CSPG?

CR: Well, I don't really think I was a student member, I doubt that but I might have been. But when you join Chevron, Chevron was very much into the CSPG and organizations like that so you automatically joined. I don't remember why but everyone joined. And once I joined I just continued to remain a member of the CSPG and the AAPG and eventually APEGGA and things like that.

DF: How did it help you as a young geologist, how specifically?

CR: I don't think it was a particular help one way or the other. I guess the most benefit I think that I got out of it in those days was the technical luncheons, we still had technical luncheons in the dance hall and I can't remember the name of the dance hall but somebody else might have told it to you by now, on the second floor. .

DF: Penley's.

CR: Penley's. On 4th Avenue and I'm guessing about 2nd Street, I don't know, I don't remember exactly. I think that and I never really became very involved in the CSPG through committees. I guess I helped with maybe a couple of field trips through the nearby foothills because of my experience with Chevron and the like.

#071 DF: So how did you come to be involved on the executive then?

CR: Well, because it was 1987, it must have been about 1985 that John Maher who was either the President then or the retiring past President, I don't remember which, phoned and asked if I would consider running for President. So I did.

DF: Okay. What were some of the issues that were important that year?

CR: The first year that I got on the executive the burning issue was whether we were going to have enough money to make it to the end of the year. The books were in complete disarray, we didn't know how much money we had. So setting about putting the financial structure on a sound footing took the next 2 or 3 years of effort.

DF: What had happened to put them in this. . ?

CR: I don't know, I don't think I wanted to find out. You can find out from some earlier people. Or maybe they don't consider that that was the case but when I first joined the executive I remember Don Cook who was the President suggesting that that was the most urgent piece of business that we had to do. We had all sorts of commitments for printing and hordes of books that weren't selling very well and the whole works.

DF: And membership was down, do you remember why?

CR: This was 1986, was the tale end of the National Energy Policy and I'm guessing that we had reaped the benefits of the National Energy Policy that reduced the membership, caused a lot of downsizing in the companies was going on then, gas deregulation was just starting in 1986 causing gas prices to plummet. A lot of things were going on then which were causing the industry to downsize dramatically. So we were doing our best to keep the membership even though they didn't have a job any more so we were looking at different ways of trying to get them through this period and still remain members. With a reasonable amount of success.

#095 DF: This industry is quite cyclical, every 10 or 12 years there's a cycle. What do you remember of the other factors, the NEP is one thing in the early 80's, what else was going on then, internationally or so on?

CR: In the early 80's the National Energy Policy and other policies of the provincial government and the federal government and it was happening around the world too, to a certain extent but people were just starting to get the idea that they could find a lot of gas. Gas was \$4.94 at export you may remember that, but unfortunately it wasn't worth \$4.94 so. . . But the price was fixed, it didn't float like it does today, so it caused a tremendous decline in demand for the product. Particularly with our little company, it's entirely a natural gas company so we just nicely got it on production in 1983 in time for the volume of gas that we were able to sell, the market just started to shrink. So we had planned our lives that we were going to get such and such a cash flow because that was our deliverability. It turned out that while the price was quite good but the deliverability, I mean we just couldn't sell it. So then there started to be interesting schemes to lower the price, even inside of deregulation, inside of Alberta, one way or another. For that whole period, actually from the institute of the National Energy Policy 20 years ago, it's been a roller coaster for gas prices. We had a big run up in gas prices in 1993, due to a perceived notion that we were closing in on equality, being the supply and demand of the market.

But this industry is very efficient and as soon as we get there and prices go up we react very quickly, both in Canada and the United States and we drive the price down very effectively and it looks like we've done it again this time. Prices last January were \$9 and this morning they're \$4, which people shouldn't complain about \$4 gas. But nonetheless there's huge swings in the commodity price and of course, we're very efficient, the industry is very efficient at making ourselves marginally economic just by bidding higher for the price of land, bidding higher for competitors that are being brought out for reserves and all the services increase in price of course. But we're very efficient at making ourselves marginally economic.

DF: How did the NEP specifically affect you and the company you were with?

CR: It didn't really, if you look at it could have been or it would have been a windfall because they were taking from one and giving to the Canadian companies and we were very much a Canadian company. Our company was and still is, owned about half by management, so therefore by definition we were Canadian, we couldn't be otherwise. But you couldn't really turn. I think I wrote either in a letter or in the annual report about 1981 or '82 that the National Energy Policy really wasn't that bad for a company like Paramount, if you ignore the rape and purge on the other side of the street. Unfortunately those words came back to haunt me because they managed to make it to the House of Commons and back on national television. So you have to be a little careful what you say I guess but basically that's what was going on. So it really wasn't affecting us, it allowed us to do exploration in the north, do exploration in other places at an advantage to other companies. But any time you distort the market place like that it's not a good thing.

#144 DF: Just reviewing your report from the year you were President. It was an active year, 100 committees, can you tell us about this second International Symposium of the Devonian System, you say it was the highlight of that year?

CR: It was the highlight, it had nothing to do with me and I don't have any idea who ran it at this point in time but I attended it and spoke at it and it was an outstanding success. We had a large contingent from Russia, the first time we had been able to do that and from all around the world and it was just really, really successful. The one thing we did before you get to there was, I made it a point to meet every committee Chairman of the 100 that were there. I don't think I quite got all off them but we set up a mechanism of having lunch once a month and I would invite somebody so we could actually go through and see what they all did. Which was interesting and I think appreciated on both sides.

DF: Well, given that although you were Vice-President, President, and past President, there is still a large turnover in the organization from year to year. And with 100 committees the lines of communication between the committees and the executive is. .

CR: Because of the financial problems that the Society was having we took the position that any of the committees could form and carry on but they all had to be financially self-sufficient. So if they wanted to spend \$10,000 fine, just go find out how to get it, just don't come looking for it. And to a large extent that worked. Most people cooperated in that. There was some hue and cry but most people were on side with that. And some of the committees we still had to subsidize a little bit, they just weren't that sort of

committee that could finance what they did.

DF: You're very modest in your accepting praise for the highlights of the year and I understand that's in part because a lot of these things start many years before you're the President. But still can you tell us about the Canadian Reef Inventory Project?

CR: Not much more than I can tell you about the Symposium because it's all sort of drifted away 15 years ago. I just don't recollect what. . .

DF: Okay. The membership decreased slightly and we talked about that before.

CR: Yes, 6% it says right here, which is a lot. I think we had something like, over those few years of the mid 80's I think we went from, I'm guessing now, from 4,200 to 3,500, 3,200, something like that. So overall, that might have been one year but it was a continuing thing for a few years.

DF: Financially you were able to turn that around. I think you've already mentioned some of the ways that you did that but can you specifically recall how you got this back to solid footing?

CR: Well, the first thing I did was bring the books into my office and my secretary is actually an accountant also, so she took over the books for a couple of years then we knew what it is that we had, what our obligations were, what our assets were and what our revenues might be and the whole planning process was just a lot easier. One of the things that we did do, the Annual Meeting and Awards Dinner was always a very poorly attended function when we were trying to honour some of the young??? people in the Society who were winning awards and also some of the people who had contributed a lot to the Society. We were never able to get a crowd out for them so we actually had the biggest one that we've had for many years at the Palliser. We had a huge crowd, got a number of companies to donate wines to the tables and we had a terrific evening. We had the people Jerry Henderson and Jack Gallagher were the two people we honoured, I think with honorary memberships but I don't remember for sure what the honour was, something like that. Both of them spoke about their history. Jack Gallagher was still a very controversial figure at that time and not particularly popular because Dome had already done its disappearing act. But nonetheless everybody just had a great time and interacted with these great veterans and we were able to have a good crowd for the young people too.

#199 DF: So that was part of it, having it at the Palliser, was that part of it too?

CR: They had it at the Palliser I think, a year or two before and I'm guessing now 200 people, they might have had 40 people. So really, when you're honouring people and you've got 40 people there, 20 of them are getting some kind of honour.

DF: Anything else from that time period that you'd like to talk about?

CR: With respect to the CSPG I can't think of anything else.

DF: At these past President's dinners, what kinds of things come up, do you attend those?

CR: When I can I do. Everybody that attends them has had quite a history with the CSPG so they are all keen, most of them are type A personality so there are some real arguments about if something changes. When they changed the Reservoir to be what it is now, from the little basically magazine that gave information a few years before that, there was a

terrific hue and cry and everybody has their ideas on what they should do with the scholarship fund and what they should do with this and that. So there are really heated discussions at these things and basically the executive in their wisdom carry on and do what they were doing anyway. Because they're obviously a lot closer to what's going on.

DF: That's right. And it's easy to take shots from the sidelines.

CR: Absolutely.

DF: To what extent does politics enter into the CSPG, like I'm talking the big P politics, like provincial and federal politics?

CR: We had some contact with both Alberta and the federal government. I also served two separate terms on the Canadian Geo-Science Council which was made up of mostly academia but some government people were there also. But not to a great degree, it's a scientific organization so we lobby for funding and do things like that, research funding and the like. For adequate funding for the Geological Survey and those sorts of things and the drill??? ship and things like that, just a lot of energy policy.

#235 DF: But when it comes to like, during the energy wars, Alberta and Ottawa fighting over power or jurisdiction and so on, I'm sure it must be tempting at times for the geologists to weight in, even though you're a technical society and try to stay above the fray.

CR: Well, I waded in continually over those periods of time but not through the CSPG. And I don't think that was the right place to do it.

DF: APEGGA, how did it get along with the CSPG when you were involved?

CR: With difficulty. They were basically an engineering group that had the geologists and geophysicists as an afterthought to regulate them. I'm guessing that 2/3 of our members were not members of APEGGA, they didn't have to be then. So it was quite common for only 1 or 2 people, even in large companies, to belong to APEGGA, and have a stamp that they could use, an APEGGA stamp to send reports to the government. Which was quite common then. There was always this distrust. There was a committee set up by the Geo-Science Council all through the last half of the 8-'s run by some guy out of Newfoundland Memorial. I can't think of his name right now, he was really a bright guy. But I guess the geologists didn't appreciate being a part of an organization that was basically all engineers and were looking to do something separate or make it. . So this is another lively discussion still, with the past President's dinner where certain of the. . Gordon Williams was involved in that quite heavily. He took over from that guy from McMaster so he'll be able to tell you who it was.

DF: Anything else related to the CSPG? It's future?

CR: I'm not close enough to know other than my daughter has actually been on the executive since 2 or 3 years ago. But it seems to be a very vibrant organization, I still go to the technical lunches. It seems like they have lots of financial strength, it seems like it's just as good as it always was.

#268 DF: Now, we've got a few minutes left and I'd like to ask you some other questions that don't specifically relate to the CSPG. Did you get to know any of the old

legends in the geological fraternity, like Ted Link? Any direct connection there.

CR: No, I never really did get to know Ted Link.

DF: Bill Gallup?

CR: Yes, I met Bill Gallup and knew him a little bit.

DF: Any stories that you'd care to tell us?

CR: No, I didn't know him well enough. He was a little bit older than I was.

DF: And your experience in the north, can you tell us any stories about those early days of running crews up there, what was it actually like on the ground?

CR: Part of the crews, I was fortunate enough, not everybody would say it was fortunate enough but in 1958 before I graduated I did the last horse party that was done in the foothills and we trailed all the way from Entrance, outside of Hinton to Kakwa Lake, across the Smoky River. I'd actually done some of that same area with helicopters the year before with Esso. The California Standard Company was running one horse party and I pretty much wanted to do that so in those days it was pretty exciting. Rode to work every morning on a horse, tied it up, rode back. But there's just any number of tales with the horse parties, chased up a tree by a couple of grizzly bears, different. . .

DF: When you were on a horse, no?

CR: No, I was actually walking.

DF: Did you ever encounter grizzlies on a horse?

CR: The horses were very, very alert, they knew when they were very nearby, the horse would start to really react. The bad thing about it was tying them up and hobbling them. If you were away and the bear came near and we never had encounters with grizzlies and horses, but they would work themselves into quite a frenzy.

DF: They could injure themselves too, couldn't they?

CR: Yes.

DF: How about these times you were up a tree?

CR: Oh they were fine. They just sniffed around for 15-20 minutes and I stayed up there for another couple of hours then got down and carried on my merry way.

DF: Did you know your way around horses before this or was this a new experience for you?

CR: It was a new experience but it was fun. I guess it gave me a continuing appreciation for them because I've got about 30 of them out at my place now. I actually race horse, rode for quite awhile, I don't seem to have time to do it any more.

DF: Unfortunately eh?

CR: You can only do so many things.

#302 DF: That's right. Any experience with canoes in the north?

CR: The first two years that I worked in the Canadian Shield, one was with the Manitoba government, that was entirely with canoes. The second year was with Sherrit Gordon Mines and we worked outside, quite a ways out from. . . actually that was the summer that they discovered Thompson, when Inco discovered their mine at Thompson. So that created a flurry of activity. And then towards the end of the year we took our canoes and went up quite a ways north of Churchill and basically we were prospecting. They called it mapping but it was basically prospecting for the last month or two of the season, I don't

remember how long.

DF: Surface geology or did you have some prospecting equipment along?

CR: We just had geological hammers and compasses and all of the rudimentary tools that geologists use to carry, notebooks. Lots of bug juice.

DF: What kind of canoes?

CR: I think both years they were wooden, canvas on the outside because we had to repair them. Being government canoes they were bright orange so they could be seen. We did have motors for them. I think that the government gave us a 1.8 horsepower motor and I think we might have got up to 3 with Sherrit Gordon Mines, I forget now but pretty small.

DF: Did you do any paddling too or was it all with motors?

CR: Oh yes. We did lots of paddling.

DF: And you'd carry food and so on with you for how long?

CR: Oh, unless we were going on a fly camp, which wasn't that often, we usually went back to base camp at night. So we'd take a canoe across the lake or around the lake or you'd go out to, even when you set up a fly camp you'd portage in and set up your camp and then go out for the day somewhere that you could pull a canoe up on the bank of the river or lake, depending on what you had and just go back off into the bush and then come back and be back at night.

DF: I do a fair bit of canoeing so hence the specifics on that. So you've really seen the industry change haven't you?

CR: Yes. In 1963 Chevron discovered the iron ore at the Snake River, I don't know if you recall that but that was a very exciting staking operation, which ultimately turned out to be futile because, for a variety of reasons but mostly because the Australians found an equally big deposit right next to the ocean. So this was several hundred miles inland so it wasn't viable but it's a magnificent discovery. We had a very interesting staking operation where everything was kept quiet for an entire winter and managed to stake the entire property, we must have run through, some of us went up there early still in the snow and put up the posts and kept bringing people by to write their name on them to claim. You couldn't get out of camp until you sold the company your claims for \$10 apiece.

DF: Just to get enough names eh?

CR: Yes.

#353 DF: So which of your contributions in your career do you consider most significant?

CR: I don't know if any of them are significant. I managed to build a company. I think that if people look at it, they see that it is possible to build a company without diluting it so that it is easy prey for any of the bigger companies or other companies, right now American companies but not specifically.

DF: Could you expand on that, how have you prevented that from happening to you?

CR: By owning half the shares.

DF: That helps.

CR: So you go slow and one step at a time. And not really slow, at times betting the entire

company, in the early days. My shareholders wouldn't appreciate that now. But in the early days, virtually betting the entire company on whatever it is you are doing, not necessarily on the drilling of the well but more on putting in facilities. We were fortunate enough to find the shallow Grosmont gas trend early on, which wasn't really much. .up in northeastern Alberta, west of Fort McMurray. There really wasn't a geological discovery, it was a discovery on how to drill the wells. Which working with the rocks and the geology and the drilling people we were able to figure that out, having drilled 8 or 9 dry holes one winter. By the next winter we figured out that those weren't really dry holes, we had figured out how to drill them, what was happening to us, why certain things were happening. And went back in and found that not only we had abandoned several gas wells, wells that would have been gas wells but so had our competitors, there were lots of them. And because we were so small we had easy pickings up the whole of the trend and up at the north end of the ice field there must be close to a trillion cubic feet. These are huge reserves, they were high deliverability gas wells. We were hiding ALF's of 10, 20, 30 million a day because of the conditions and what we were doing to them when we were drilling.

#388 DF: So what was the technological problem there?

CR: The technological problem was that you drilled into the Grosmont formation, which was a huge reef, wonderful porosity and you would lose circulation and the mud would go down into the hole. Conventional thinking was that if the mud goes down the gas comes up because there's no head on it anymore. We knew that the reservoirs were under pressure but we didn't know by how much. But what was really happening was that the mud was going down but there was a virtual conglomerate through this whole area which was the Viking and it just kept the hole full. So we never saw any sign of it nor did anyone else. And we'd lose circulation for 2 or 3 weeks. Therefore all we had to do was case off the Viking, it was a pretty simple deal. So we just drilled out, we actually cased off the Viking and then drilled out with air, it wouldn't have mattered whether we drilled out with air or not probably but we did. And instantly got huge wells and as I say, nobody paid much attention to what we were doing.

DF: Because you were small?

CR: Because we were small, so we were able to tie up one field after another, not 100% because we didn't have any money either. But we used drilling funds to finance what we were doing and those drilling funds, you've heard a lot of bad things about drilling funds, those drilling funds, some of those would have put up a million or a million and half dollars and they get a million or a million and half dollars every year back, still, 20 years later. So everybody benefited from some of that.

DF: So what was the clue that the Viking was your problem?

CR: I didn't know exactly what the problem was. The real clue was that after many dry holes we actually ran casing on one and swabbed on it and as we swabbed on it we kept getting a little bit more and a little bit more gas and finally we were getting a million a day out of one of them. Our first thought was that we were just damaging the formation and that was the cause. That's why we drilled out with air, but in actual fact that's what it was, it was

just that the hole was being kept full with the Viking water and we were putting 100's of gallons and barrels of water, over 2 or 3 weeks. So we figured out how to do that and then the next problem we had was that the reservoir pressure up at Liege is 125 lbs. or 135 lbs. So it's a huge, huge field. But there was no belief that these reservoirs would produce any more than a puff and be gone. So we persuaded Nova and risked the whole company to get Nova to build a pipeline from one of those fields to the other and it turned out that they're still producing I don't know, 100 million a day. They've just been terrific, terrific reservoirs. Some of the early ones that we found we sold actually. We sold the Portage gas field to Suncor and I don't remember the figures exactly but that was the first decent one that we found and they wanted gas for their. . .we argued whether or not there was. . I think they said there was 15 million, I said there was 30 and McDaniels said there was 18. Anyway we settled on 20 and it's still producing, so far it's made about 120. So they were big winners on it, but so were we. We got the money for it and we did other things with it, we needed to do those things in those days.

#450 DF: What have you enjoyed most about your career?

CR: I don't know, just being part of the patch, the people. They're all entrepreneurs, they're all excited about what they do, at least all the ones that I've been associated with. The thrill of the chase, the hunt for reserves and trying to follow that up with developing those reserves.

DF: Any other fields that you found or were part of?

CR: Well, this wouldn't be me, this would be Paramount, we have a group now, it used to be just me but now we have a staff of 100 or so. Paramount built the first pipeline across from the Northwest Territories into British Columbia, had to appear before the National Energy Board a couple of years ago. That was the first one that was built since 1963 when they built a pipeline to Pointed Mountain. We've been interested in that area along there so we've got some decent discoveries actually, in the Mattson Sand at Liard and have tied those in and they're producing through the West Coast system in British Columbia. Now that the north is opening up again, it's really exciting. Because of my background, Paramount actually, in their early years, because of the National Energy Policy drilled two enormously expensive dry holes at Liard, one of them was about less than a mile, probably half a mile away from the, we didn't have any seismic, about half a mile away from the Chevron discovery two years ago at Liard which seems to be about 600 B. So we missed that one but we were close, we had the right idea, we just missed it by a little bit. And we drilled a second well up there which actually turned out to be right next to the discovery Ranger made, which ultimately hasn't turned out to be nearly as good. And we're still doing that, we're looking at building a pipeline across from our Cameron Hills development which is west of Hay river a little ways. We're exploring in a place called Coleville Lake, areas that I'd worked 35 years ago. Signed a memorandum of understanding and agreements to lease the native land up there. So we're still doing things like that. We of course, found lots of smaller pools and different things.

DF: Any regrets?

CR: No. It's been a great ride.

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DF: Great. Well, on behalf of the CSPG and the Petroleum Industry Oral History Project, I'd like to thank you so much for allowing me to come and interview you today, it's been great.

CR: Sure, good luck with your project.

DF: Thank you.